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# THE CONSUMER AND MEAT SPECIALS

by

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A THESIS
SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE
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DEPARTMENT OF RURAL ECONOMY

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THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "The Consumer and Meat Specials", submitted by Richard A. Carew in partial fulfilment of the requirements for the degree of Master of Science in Agricultural Economics.

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Date April 5/77

## ABSTRACT

Knowing consumer purchasing patterns and attitudes towards meat specials are important facets in retail management. An understanding of these relationships should allow store managers to effectively plan their merchandising strategies and programs. These programs, therefore, will tend to enhance the needs, wants and preferences of shoppers.

The borad objective of this study was to examine consumer shopping practices and attitudes towards meat specials. A mail questionnaire was sent to Co-op members who did their weekly grocery shopping at the Co-op supermarkets located in the metropolitan region of Edmonton.

The study results revealed that a great percentage of the "heavy" spending Co-op consumers had a large net yearly family income, and were primarily employed in construction trades and other related occupations. The mean family size of these consumers was 5.0 persons per family.

Most of the Co-op consumers did their meat shopping at the Co-op, and they travelled at least three miles to the nearest Co-op supermarket. The wife was the person in the household who most often did the shopping, primarily on Thursday, Friday or Saturday.

The majority of the Co-op consumers were shoppers who

had a fixed list of meats, but would make changes for meat specials. However, many of these consumers were not reading the weekly food advertisements for meat specials and they most often did not purchase meat specials. They usually felt that the quality of meat specials was not comparable to that of regularly priced meats.

Price data for regular price meats and meat specials showed that beef was on special for a greater number of weeks and generally had greater price reductions than the other kinds of meat.

The conclusions of this study suggested that: (1) there is a necessity for improved education programs on the topic of meat; (2) cutting procedures should be standardized to enhance meat quality; (3) the Co-op supermarkets should offer more price competitive meat specials; (4) a larger variety and more cuts of meat should be offered as specials and at regular prices.

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With deepest respect I would like to dedicate the thesis to my parents.

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# CHAPTER I

## INTRODUCTION

Meat is important to most Canadian consumers because it forms the basis of many meals and constitutes a large part of consumer budgets. Statistics Canada has from time to time investigated and analyzed family expenditures in Canada. In 1974, a family food survey indicated that families representing all income groups had spent 33 percent of their food-at-home budget on meat and poultry, 5 percent on fresh fruit, 5-6 percent on fresh vegetables, 14-15 percent on dairy products and the remainder on fish, fats and oils, beverages, sugar, canned and dried foods and prepared dishes.[1] It's therefore apparent that meat and meat products are a major part of the average consumer food budget.

As long as food is sold by retail stores with many departments and thousands of items, prices of meat will be used to convey impressions about price level in general, and pricing the "mix" will dominate merchandising behavior.[2]

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[1] B.G. Spencer, A Preliminary Paper on Family Food Expenditure in Canada: An Analysis of the 1974 Survey, Reference Paper No. 7 (Ottawa: F.P.R.B., February, 1976), p. 7.

[2] United States National Commission on Food Marketing, Organization and Competition in Food Retailing, Technical Study No. 7 (Washington, D.C.: U.S. Government Printing Office, June, 1966), p. 177.

In this environment, price competition has been replaced by promotion as the focus of retail competition. Hence, price specials[1] are of great importance. While meat price specials are not a form of straight price competition, they are probably the least socially objectionable type of promotion.

## Importance of Price Specials

Over the last 10 to 15 years, many retail organizations have adopted various merchandising techniques to increase sales volume. The most important method which is frequently used is the price special. A price special is a temporary low price, not justifiable in terms of the economics of cost or demand for the individual meat product, which is used by retail organizations to promote a store or firm. Meat price specials may account for as much as 50 percent of meat department volume.[2] Usually meat items with high turnover rates and high margins are selected to

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[1] Price specials are not price competition because price specials do not equate society's ability to produce with its desire to consume a particular product. As a result, price specials are used to capture the attention of the consumer and stimulate store volume which results in sales of many items not specialed at all. D.I. Padberg, "Food Retailing: Marketing Agent for the Beef Industries" (Paper presented at the Workshop on Canada's Beef Industry, June 7-12, 1970, Banff, Alberta), p. 9.

[2] McKinsey & Company, Inc. (Management Consultants), "A Top Management Approach to Meat Merchandising" (Unpublished Study, 1964), p. 13.

to be used as specials because the prices of these frequently purchased items are most often remembered by consumers.[1]

Several major influences have contributed to retailer's increased emphasis on price specials as a competitive instrument.[2] The increase in the use of price specials has coincided with the decline in price competition which has occurred during recent years. Greater emphasis on the price special can be attributed to the intensification and changing nature of competition.

Other important factors which have tended to encourage the use of meat price specials in recent years have been the growth of family income, home refrigeration, self-service in stores and the development of standardized high quality perishable products. These have created an environment in which meat price specials have become an effective tool for attracting customers and for encouraging them to purchase both meat items and other food or non-food commodities.

One objective of using meat price specials is to create a rotation of varieties of meats. This is because most consumers who shop at retail stores are regular cus-

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[1] United States National Commission on Food Marketing, op. cit., p. 175.

[2] W.W. Tongue, "Weekend Specials Pay Off at Retail Levels and Increase Overall Consumption of Meat," The National Provisioner, October 5, 1963, p. 64.

tomers of one or more stores. Thus, a major aim of week-end meat price specials is to offer those regular customers a succession of values. This promotes customer loyalty to that establishment, particularly for fulfilling their meat needs. Meat price specials can also be used to induce customers as a whole to build an inventory of meat items and to attract new customers.[1]

In addition to balancing out meat sales, certain meat items make attractive price specials because they appeal to consumers of different ethnic and income groups. Despite the heavy expense associated with the handling of these meats at retail, the characteristics of the product make it ideal for specials.

To the Canadian household, meat and meat products represent the major item of grocery expenditures and therefore its price has more meaning than the hundreds of other smaller items offered by food operators. Since it is not branded and is often sold by uniform grades, price comparison is easier and therefore more meaningful.[2] For these reasons a surprisingly low price for beef makes one of the biggest possible impressions on consumers, probably greater

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[1] Ibid., p. 65.

[2] D.I. Padberg, op. cit., p. 10.

than any other price special the store could offer.[1] In terms of operational efficiency, the attractiveness of frequent meat price specials makes it profitable for many retailers to typically handle beef at a loss.[2] Therefore consumers purchase meat at prices lower than the actual costs of production, distribution and marketing.

## The Basic Objectives and Goals of the Study

Paralleling the increasing importance of the retail industry has been the development of a complex merchandising system. In this economic system, which is based on the philosophy of competition, the character of price merchandising and the behavior of other marketing variables such as consumer attitudes constitutes a subject of concern to retail organizations.

The principal objective of this study was to examine the similarities and differences of consumer shopping practices and attitudes towards meat specials. Both "average" and "heavy" spenders were compared. The following are some

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[1] Steak accounted for 60 percent of the total beef tonnage sold in a specific week when steak was on special. This was due to consumers' appetite for beef, especially steak when they can afford it. W.E. Tongue, op. cit., p. 64.

[2] Apparently it is not unusual for a special steak feature to cost a food operator as much as $450 per store -- about 77 percent of a meat department's direct profits during a normal week. McKinsey, op. cit., p. 14.

of the hypothetical questions which were examined. Are "average" and "heavy" spenders doing most of their meat shopping at the Co-op retail stores? Of both spenders, is the wife the person in the household who is doing the grocery shopping? Is Thursday, Friday or Saturday the most popular day of the week that both spenders do most of their grocery shopping? To what extent do both spenders shop for meat specials? To what degree do both spenders who read Co-op food advertisements within a two week period purchase meat specials? These are some of the questions to which answers are fundamental in planning a merchandising strategy.

A secondary objective of this study was to investigate the frequency and the degree of price reduction of meat price specials at Co-op stores. Beef was segmented into low, medium and high priced cuts. This classification was necessary so that comparisons in terms of the frequency and the degree of price reduction of price specials could be made between the different cuts of beef. Furthermore, for processed meats the frequency and depth of price specials of the private brand were compared to those of the national brands.

## Sources of Data

The data used in this study were collected by the author in the metropolitan area of Edmonton, a city with

a population of 438,152. Weekly in-store prices for most meat items were obtained from three Co-operative supermarkets of varying sizes for a period of three months, from June 1 through August 31, 1976. Each of the supermarkets was associated with a common wholesale supplier -- Federated Co-operatives Ltd. These supermarkets were located in different regions of Edmonton, and attracted customers of different ethnic, income, and social groups.

Retail prices of meats were monitored on Wednesday and Thursday so as to coincide with the time that most consumers did their meat shopping. Advertised or special prices of meats were obtained from weekly newspaper food advertisements during the same time period as in-store prices were collected.

Other sources of information were obtained from a detailed questionnaire which was mailed out to a sample of approximately 36,400 registered Co-op members. This sample was augmented with another sample of 543 Co-op members who had purchased a thousand dollars worth of groceries during the five months from February 1 through June 30, 1976. Both of these samples provided information on their socio-economic characteristics in addition to information on their shopping practices and attitudes towards meat specials.

## Scope of the Study

The following chapter contains a discussion of the theoretical framework of the study, which emphasizes advertising as a form of non-price competition that emerges in market structure where grocery profits are attainable through product differentiation. Chapter III discusses the nature of the questionnaire and the analytical techniques used in evaluating the responses given to the questions. Chapter IV states the empirical results of both samples, and discusses the similarities and differences that are inherent in them. This chapter also attempts to relate the conclusions of the study with the findings of similar studies. Chapter V examines the practices of retailers in terms of the frequency and depth of meat price specials. Chapter VI presents the summary, conclusions, implications and recommendations of the study.

# CHAPTER II

## THEORETICAL FRAMEWORK

The purpose of this chapter is to discuss the theory which is relevant to the goals of this study. For purposes of simplicity, the theory in this chapter will serve (1) to identify the different aspects of competition theory in terms of performance, (2) to identify the importance of advertising as it relates to product differentiation within the retail grocery industry, and (3) to relate the various economic variables that are associated with market performance.

### Theory of Competition - Performance Viewpoint

The theory of competition has puzzled economists during the last century. According to economic theoreticians, the concept of perfect competition is an important consideration in our industrial society because it is generally considered to result in an efficient organization of production and allocation of productive resources and of consumers' goods and services.[1] Perfect competition, there-

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[1] Tibor Scitovsky, Welfare and Competition (1st Edition; Chicago, Illinois: Richard D. Irwin, Inc., 1951), p. 19.

fore, provides a benchmark of performance by which actual economic institutions and organizations can be evaluated.

Perhaps the most useful method of approaching the subject of perfect competition is to visualize "perfect" at one end of the spectrum and pure monopoly at the other, with several deviations along the continuum. However, consideration of performance under these different market structures becomes a complicated problem when applied to real market situations. Realizing the limitations of pure competition theory in dealing with a small number of firms or with large scale production led Robinson[1] and Chamberlain[2] to develop more realistic models. These they refer to as "imperfect competition" and "monopolistic competition." Since very little was said by Robinson about non-price competition, the monopolistic competitive model[3] developed by Chamberlain would be a more appropriate model for use in explaining pricing and product policies of firms. The main attribute of the monopolistic competitive model is that it

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[1] Joan Robinson, Economics of Imperfect Competition (2nd Ed.; Macmillan-St. Martin's Press, 1969), pp. v-xi.

[2] E.H. Chamberlain, The Theory of Monopolistic Competition (7th Ed.; Cambridge: Harvard Press, 1956), p. 68.

[3] The characteristic of this model is that various sellers' products are often considered different in the minds of consumers even though they may be physically identical. This absence of market knowledge at the consumer level, coupled with some product service differentiation, therefore may also make for an absence of price identity among the several offerings in a given market at a given time.

places a strong emphasis on non-price competition, which emerges in a market structure where monopoly profits are attainable through product differentiation.

The degree to which a product is differentiated provides the basis for a certain degree of independence in pricing. According to the U.S. National Commission on Food Marketing:

> To the extent that a seller can convince consumers that his product is distinct from and in some respects, superior to others, he has an element of monopoly in its sale.... Successful product differentiation, therefore, eases the necessity of competing strictly on a price and a quality basis with competitors of approximately equal production efficiency.[1]

Chamberlain, commenting on a similar note, concluded that:

> Wherever products are differentiated, the theory of monopoly seems adequately to describe their prices .... Competition is not eliminated from the explanation; it is fully taken into account by the recognition that substitutes affect the elasticity of demand for each monopolist's product.[2]

This shift of emphasis from price to non-price merchandising strategy coincides with the changing structure of the food economy of North America. As family incomes rise, consumers are less influenced by price and are better able to gratify their individual tastes, need for variety, and desire for services. In sacrificing their desire for

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[1] United States National Commission on Food Marketing, Food From Farmer to Consumer (Washington, D.C.: U.S. Government Printing Office, June, 1966), p. 91.

[2] E.H. Chamberlain, op. cit., p. 68.

variety, consumers sacrifice product homogeneity, which in turn distorts the perfect competitive "ideal" of good performance. Scherer substantiates this trade-off by observing that:

> Consumers are willing to sacrifice some allocative nicety for variety, and so the social ideal must be not pure competition but some alloy of pure and monopolistic competition. The question of market organization then becomes a quantitative one: How much purity to sacrifice in order to maximize social welfare? And on this question, economic theory has no operational answers.[1]

Scherer continues that the purely competitive model is not the ideal model, and because of the limitations of economic theory, it does not allow us to know how well it serves as an approximation to the ideal.

Realization of this limitation led Professor J.M. Clark[2] to formulate the concept of "workable" competition, which he subsequently changed to effective competition because:

> ...workable stresses mere feasibility... departures from pure and perfect competition are not only inseparable from progress but necessary to it.

This concept of "effective" or "workable" competition was synthesized because the dynamic behavior of retail grocery stores seriously violates the assumptions of pure competi-

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[1] F.M. Scherer, Industrial Market Structure and Economic Performance (Chicago: Rand McNally & Company, 1970), p. 22.

[2] J.M. Clark, Competition as a Dynamic Process (Washington, D.C.: The Brookings Institute, 1961), p. ix.

tion -- infinite numbers, free entry, and homogeneous products. However, the idea of strong product differentiation being associated with making competition more "workable" than it otherwise would be is difficult to accept at face value. This is because high degrees of product differentiation generally are in opposition to good market performance.[1]

Since J.M. Clark's earlier work on the concept of "workable" competition, many economists have written articles on this subject. One notable economist who contributed to the area of competition theory is Sosnick.[2] He listed 25 market criteria of which an industry must be free in order for it to have a concrete concept of "effective competition" as opposed to Clark's "workable" competition. Of these 25 market criteria, 10 are conditions regarded as undesirable both in themselves and in their effects, while 15 are conditions that are regarded as undesirable only because of their effects. Among the ten characteristics that are regarded as undesirable both in themselves and their effects, the first seven relate to performance and the last three to conduct. On the other hand, of the 15 market conditions that are regarded as

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[1] Joe S. Bain, Industrial Organization (New York: John Wiley & Sons, Inc., 1959), p. 426.

[2] Stephen H. Sosnick, "Toward a Concrete Concept of Effective Competition," American Journal of Agricultural Economics, Vol. 50, No. 4 (November, 1968), pp. 827-853.

undesirable only because of their effects, the first condition pertains to performance, the next 11 relate to conduct, and the last 3 conditions relate to structure.

The question of adequately evaluating performance criteria becomes a value judgment that society must make. From the welfare perspective, is society willing to make the trade-off between the performance associated with product homogeneity and that of product variety or nicety? Society therefore must determine not only whether product differentiation is a feature of our market environment, but whether certain market conditions are conducive to excessive or inadequate product differentiation. The shortcomings of economic analysis in comparing the benefits of product differentiation with its costs must also be recognized as a serious limitation of economic theory.

## Advertising

### Purpose

> One should hardly have to tell academicians that information is a valuable resource, knowledge is power. And yet it occupies a slum dwelling in the town of economics. Mostly it is ignored: the best technology is assumed to be known; the relationship of commodities to consumer preferences is a datum. And one of the information producing industries, advertising, is treated with a hostility that economists normally reserve for tariffs or monopolists.[1]

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[1] G.J. Stigler, The Organization of Industry (Homewood Illinois: Richard D. Irwin, Inc.; Nobleton, Ontario: Irwin-Dorsey Limited, 1968), p. 171.

Advertising[1] is one form of sales promotional activity which adds utility to a commodity by informing the consumer about the nature, location, and the price of the commodity available for sale. One form of advertising, grocery advertising, plays an important role in our economy because it presents and emphasizes price. It permits the consumer to compare prices in the newspapers and shop at the store featuring the lowest prices.[2] According to Galbraith:[3]

> ...the primary purpose of advertising is to recruit new customers for all sellers in the organization, associate existing consumers closer with the commodities of the industry and to be influential in advancing the larger objectives and values of the planning system.

Despite its informational role, advertising is also criticized because it tends to be manipulative or persua-

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[1] The word "advertising" generally is used to refer to a paid announcement. Sales promotion, on the other hand, refers to activity designed to obtain public attention... particularly through mass media... when no payment to the media is involved. Promotions include merchandising techniques, premiums, trading stamps and "cents off" deals. G.G. Sinclair, Testimony Before the Proceedings of the Special Joint Committee of the Senate and House of Commons on Consumer Credit (Prices), No. 26 (Ottawa: Queen's Printer, 1967), p. 1996.

[2] Peter C. Dooley, Retail Oligopoly: An Empirical Study of the Structure, Conduct and Performance of the Grocery Trade on the Prairies, Supporting Study No. 3, Studies of the Royal Commission on Consumer Problems and Inflation (N.P., N.D.), p. 89.

[3] J.K. Galbraith, Economics and the Public Purpose (Boston: Houghton-Mifflin Company, 1973), p. 140.

sive. For example, Caves[1] believes: "At the point where advertising departs from its function of informing and seeks to persuade or deceive us, it tends to become a waste of resources."

Product Differentiation

Advertising, in whatever form, is a very important competitive tool. In grocery retailing, persuasive advertising is usually classified as a form of non-price competition. It is used to foster image or product differentiation because it tends to appeal to the preferences, emotions and likes of consumers. Bain[2] concluded that an important category of product differentiation is primarily built on a non-rational or emotional basis through the efforts of the "ad-man".

Retail advertising is also generally used as a vehicle to announce food specials. These specials are displayed in the food ads of weekly newspapers, timed to coincide with consumer shopping patterns that have evolved from a combination of habit, pay days, and preference.

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[1] R. Caves, American Industry: Structure, Conduct, Performance (3rd Ed.; Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1967), p. 101.

[2] J.S. Bain, op. cit., p. 215.

Food specialing[1] is a strategy that is used by many retailers to confuse consumers' judgments about grocery store price levels. According to the U.S. National Commission on Food Marketing, price specialing is a technique that does not allow the consumer the opportunity to compare alternative offerings for her shopping list.[2] As a result, food retailing characterized by such a pricing strategy resembles price competition, but in reality could be described as a form of non-price competition that focuses on store or image differentiation. This notion of product or image differentiation therefore may be attributed partially to consumer ignorance of price variations. Stigler[3] stated that price dispersion is a manifestation of and, indeed, a measure of, ignorance in the market. However, it is a biased measure of ignorance because of the absence of absolute product homogeneity.

While advertising provides product information about

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[1] Food specialing encompasses a pricing strategy called variable price merchandising. This strategy is defined as the simultaneous and sequential manipulation of selected food prices in order to differentiate the store from its' competitors. P.E. Nelson and L.E. Preston, Price Merchandising in Food Retailing: A Case Study (University of California, Institute of Business and Economic Research, 1966), p. 4.

[2] United States National Commission on Food Marketing, Technical Study No. 7, op. cit., p. 176.

[3] G.J. Stigler, "The Economics of Information," The Journal of Political Economy, Vol. LXIX, No. 3 (June, 1961), p. 214.

new and existing products, it is also one of the most important sources of product differentiation within the retail grocery industry.

Function

Advertising is an essential ingredient in the efficient performance of any marketing system. One of the main functions of advertising is to assist the economy or an industry to improve efficiency.[1] In a legal context, the notion of advertising is "an invitation to offer rather than an actual offer."[2] The interpretation of this statement implies that the agreement between the buyer and seller is not operative until the buyer pays for the commodity and the exchange is accomplished.

From an economic perspective, the objectives of the firm in advertising are to shift the demand curve to the right and to increase the inelasticity of the demand curve.[3] As a result, the economic effect of advertising is to: (1) spread knowledge of a product's existence by describing it and suggesting the utilities it will provide the

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[1] W.F. Williams and T.T. Stout, Economics of the Livestock-Meat Industry (3rd Ed.; New York: The Macmillan Company; London: Collier-Macmillan Limited, 1971), p. 445.

[2] "Advertising and the Buyer's Remedies," Vanderbilt Law Review, Vol. 6, No. 2 (February, 1953), pp. 377-378.

[3] R. Cassady, Jr., Competition and Price Making in Food Retailing (New York: Ronald Press Company, 1962), p. 92.

consumer; and (2) cause consumers to remain loyal even in the face of higher prices.

In the retail grocery trade, price and non-price advertising are used quite frequently. For example, the use of price specials by retail sellers can be considered informative advertising which substantially increases the sales volume of those commodities that are featured. Such a change in sales volume would exceed the normal increase expected from simply lowering the price without featuring the commodity.[1] In regard to this form of advertising, Holdren concluded that the interaction of advertising and sales promotion indirectly increases the demand elasticity because normally it prods the consumer into "looking around" at different stores.[2] The impact of this advertising, therefore, will be felt in the marketplace provided that consumers spend a larger share of their incomes during the weeks that those commodities are featured.

## Market Structure Analysis

According to economic theory, the competitive beha-

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[1] L.R. Gray, "Effects of Price Specials on Volume of Sales of Frying Chickens," Agricultural Economics Research, Vol. XVI, No. 3 (July, 1964), p. 72.

[2] B.R. Holdren, The Structure of a Retail Market and the Market Behavior of Retail Units (Englewood Cliffs: N.J.: Prentice-Hall, Inc., 1960), p. 112.

vior of firms is decided, to a large extent, by the types of market structure environment in which they operate. Bain defines market structure as:

> ...the organizational characteristics of the market which seem to influence strategically the nature of competition and pricing within the market.[1]

The theory of industrial organization according to Caves[2] suggests that the market structural characteristics affecting a firm's behavior include:

1. Seller concentration.
2. Product differentiation.
3. Barriers to the entry of new firms.
4. Growth rate of market demand.
5. Price elasticity of market demand.
6. Buyer concentration.

The structural elements as set forth by Caves are acceptable in this study. However, the degree of product differentiation may be interpreted in this study as a conduct variable because it is a response to differences in buyers' tastes, preferences and locations.

This concept of conduct associates the retail grocery industry's structure to the quality of its market performance. According to Clark, market conduct:

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[1] Joe S. Bain, op. cit., p. 7.

[2] R. Caves, op. cit., p. 16.

> ...is both result and cause, and insofar as it is not precisely determined, it has room to act as an independent casual factor.[1]

Market performance refers to:

> ...the strategic end results of market conduct engaged in by sellers and buyers.... It is the crucial indicator and measure of how well the market activity of enterprises contributes to the enhancement of general material welfare.[2]

Though conventional economic theory assumes that market performance is a function of market structure, some economists are of the firm opinion that performance should be related to market conduct irrespective of the type of structure that exists within the market environment.

## Market Efficiency: Micro-Economic Perspective

Any consideration of retail food marketing must begin with the distinction between the two parallel systems which constitute the food marketing process -- the exchange system and the physical distribution system. The exchange system concerns the less tangible marketing functions such as buying, selling, financing, risk bearing, promotion and market information. This set of marketing functions determines how resources are to be allocated in food marketing and the distribution of rewards among wholesalers and

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[1] J.M. Clark, op. cit., p. 422.

[2] Joe S. Bain, op. cit., p. 340.

retailers. The physical distribution system encompasses the physical marketing functions such as storage, transportation, processing, and merchandising. These add time, form, and place utilities to the commodities as they are moved from the producer to the consumer. The efficiency of retail marketing therefore depends on an optimal interrelationship between the physical and exchange functions of the marketing process.

Marketing efficiency can be sub-divided into the three separate categories of technical efficiency, innovative efficiency, and exchange efficiency.[1] These differ in their relationship with the physical and exchange marketing functions and their contribution to time, form, space and possession utilities.

## Pricing Efficiency

Pricing (exchange) efficiency concerns the effectiveness with which prices perform the functions expected of them, namely to:

1. Allocate resources used in marketing.
2. Distribute goods and services among consumers.
3. Equate the forces of demand and supply.

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[1] Many of the arguments and ideas presented in this aspect of the study are taken from J.N. Uhl, "Notes on the Concept of Marketing Efficiency" (N.P., N.D.).

4. Produce and allot income payments among various recipients.[1]

The effectiveness with which exchange efficiency accomplishes it's objectives depends upon market structures and the applicable competitive strategies.[2] Under the perfect competitive "ideal", the above functions or conditions help to increase exchange efficiency and to maximize material welfare.

However, in a market environment where "workable" competition is feasible and where the nature of food retailing has changed it's emphasis from a price element to non-price variables, exchange efficiency would be reduced. According to the U.S. National Commission on Food Marketing, several trends in the food industry are associated with the reduction of exchange efficiency. Among these are the practice of price specialing by retailers, which has tended to give invalid price signals to marketing firms.[3] The greater the deviation from perfect competition, the more the market power and the wider the differential between costs and prices. This consequently affects exchange efficiency.

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[1] W.F. Williams and T.T. Stout, op. cit., p. 123.

[2] A.A. Warrack, "A Conceptual Framework for Analysis of Market Efficiency," Canadian Journal of Agricultural Economics, Vol. 20, No. 3 (1972), p. 9.

[3] United States National Commission on Food Marketing, (June, 1966), op. cit., p. 98.

## Technical Efficiency

Technical or operational efficiency concerns the various contributions which science and technology make toward reducing the costs of business activities associated with the flow of food from the producer to the consumer.[1] This concept of technical efficiency depends not only on the state of technology but on input prices and the value of the output to consumers.

Technical efficiency depends on the state of competition within the food industry. Under conditions of perfect competition, technical efficiency is maximized. For example, a low cost structure provides a basis for competitiveness. Technical efficiency is maximized at the scale for which long run average costs are minimized, i.e., low costs imply high technical efficiency, and vice versa.

## Innovative Efficiency

Innovative efficiency is measured by how food marketing firms produce a variety of consumer commodities. This process basically involves new firm configurations of the marketing mix -- price, place, promotion, and product -- which are "market-making" activities.

While the structure of the retail grocery trade can perhaps be looked upon as fairly efficient in an innovative

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[1] R.L. Kohls, Marketing of Agricultural Products (New York: The Macmillan Company, 1955), p. 9.

dimension, it's products are well differentiated in many respects and are highly advertised. As perfect competition does not result in judging optimal innovative efficiency, the consumer is probably the only judge of marketing efforts influencing innovative efficiency. However, one should be aware that prices do not always reflect the true costs of food products, and that consumer preferences may be influenced through advertising.

It therefore appears that as marketing trends continue, technical and innovative efficiency may at times be in conflict. The issue is one of costs and benefits. Are consumers willing to pay the higher price for the additional utility because of innovative efficiency? If so, this change would represent a contribution to marketing efficiency. It would seem that considerations of marketing efficiency require compromises.

The nature of the structure of the retail food industry intensifies non-price competition, which consequently enhances the economic and social performance of the market economy. The implication of the shift of competition from a price element to non-price variables pushes the spheres or components of marketing efficiency farther apart, and makes the trade-off between costs of marketing and consumer satisfaction a difficult decision for society to appraise.

# CHAPTER III

## METHODOLOGY OF CONSUMER STUDY

The purpose of this chapter is to describe the analytical techniques and procedures used in the consumer phase of the study. Fundamentally, this chapter investigates the nature of the questions in the questionnaire, and the procedures employed in evaluating the responses to these questions.

### Theory of Sampling

Generally, one of the most important attributes of statistics is sampling. This technique indicates the general characteristics of the total population. A good sample should:

1. Provide ways to determine the number of respondents needed.
2. Specify that anyone in the total population may be included in the sample.
3. Enable one to determine how much error results from interviewing a sample instead of interviewing the total population.
4. Allow one to determine the degree of confidence that can be placed in population estimates made

from the sample.[1]

A good sample therefore provides the desired information within tolerable limits of sampling error for the least cost. Sampling techniques can be classified into three general varieties which include the simple random sample, the stratified sample and the cluster sample.[2] In this study, two samples were obtained by two different procedures in order to determine some of the differences and similarities in attitudes and shopping practices of "average" and "heavy" spending consumers.

## Sampling Procedures

In this study, the first sample was selected through an "arbitrary unrestricted sampling procedure" which did not allow all members within the population to be selected.[3] The criterion for receiving the questionnaire in the first sample was that consumers must have made food purchases of one hundred dollars at the Co-op within the last year.

A sample of 36,400 Co-op consumers were selected from a total population of approximately 60,000 registered

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[1] Morris H. Hansen, William N. Hurwilz and William G. Madow, Sample Survey Methods and Theory. I: Methods and Applications (New York: Wiley, 1953), pp. 8-10.

[2] Ibid., pp. 11-51.

[3] Robert Ferber, Statistical Techniques in Market Research (New York: McGraw-Hill Book Company, Inc., 1949), p. 70.

members. Each of the members within the sample were sent a questionnaire via the Co-op newsletter. Upon completing the questionnaire, they were requested to either mail the questionnaire to the Co-op retail store or deposit it at the meat counter of the Co-operative retail stores. About twenty questionnaires were pretested in order to determine whether any questions would be misinterpreted by the consumers in the sample.

The sample was augmented with a stratified random sample which was selectively taken from a consumer population which had food purchases exceeding one thousand dollars during a five month period from February 1 to June 30, 1976. The questionnaires for this sample were distributed by mail and contained a stamped, self-addressed return envelope. After a week, those consumers who had not responded were contacted by telephone and reminded to complete the questionnaire. In cases where consumers had misplaced the questionnaire or had not received one, a second questionnaire was subsequently mailed. The time period during which both samples were mailed and returned was June to September, 1976.

## The Questionnaire

The questionnaire was used to describe the nature of consumer shopping habits or patterns, and their attitudes toward meat price specials. Basically the questionnaire

was designed to answer three types of questions which were fact, information and opinion questions.[1]

Fact Questions

Fact questions were to provide information about the demographic characteristics of the population such as net yearly family-income, occupational status of the head of the household and family size.

Opinion Questions

Opinion questions dealt with what the consumer thought or felt at a particular point in time about a particular subject. These questions included opinions on the extent of shopping for meat price specials; the frequency of ad readership; the frequency of buying specials; the manner in which consumers perceive quality differences between meat specials and regular price meats; and the general complaints that consumers had about the Co-op meat department.

Information Questions

These questions provided information on a profile of consumer shopping habits or patterns. They included information questions on the retail store where consumers

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[1] Charles H. Backstrom and Gerald D.H. Hursh, Survey Research (Minneapolis: Northwestern University Press, 1963), pp. 70-71.

were doing most of their meat shopping: the principal reason for shopping at the Co-op retail store; the average distance that consumers were travelling to the Co-op retail store; in which Co-op retail store was most of the shopping done; the most popular days of the week that consumers were doing their shopping; and the person in the family who was doing most of the shopping.

Information, fact and opinion questions in the questionnaire were cross-tabulated against three distinct income classes which were determined on the income frequency distribution of the "average" and "heavy" spending consumers.

## Analyses

A total of 604 responses were received from sample one and sample two, which constituted a response rate of less than 1 percent and 58 percent respectively. These responses were segmented into "average" and "heavy" spenders based on the weekly food expenditure of each sample (Figure 1).[1]

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[1] The "average" spending consumers had a weekly food expenditure of $39.00 while the "heavy" spending consumers had a weekly food expenditure of $55.00. In Canada, in 1974, it was observed that consumers with an average family size of 3.10 had an average weekly dollar expenditure on food at home of $30.56. Z.A. Hassan and D. Karamchandani, Handbook of Food Expenditures, Prices and Consumption, No. 76/5 (Ottawa: Economics Branch, Agriculture Canada, June, 1976), p. 30.

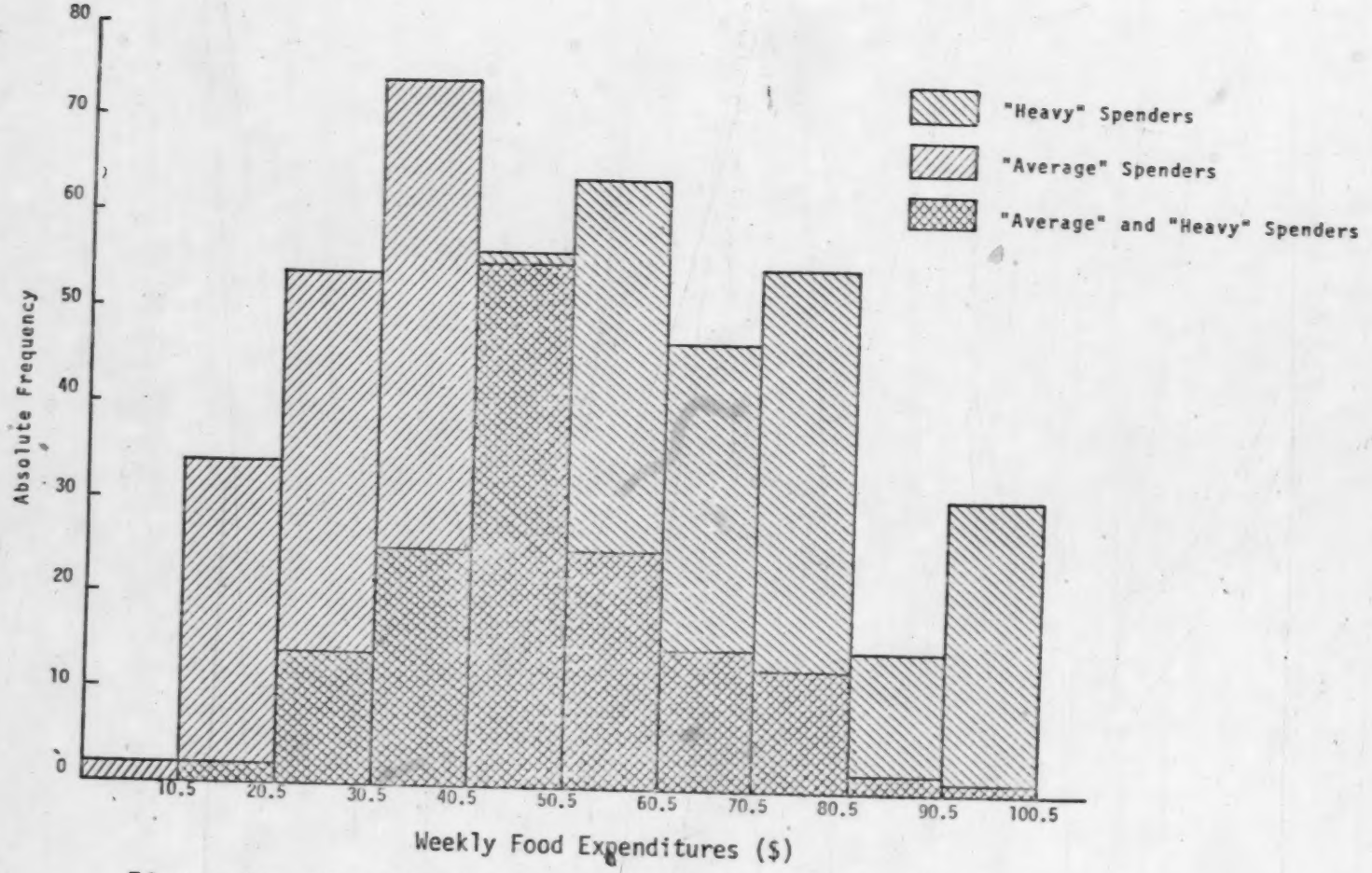


Figure 1: Classification of "Average" and "Heavy" Spending Consumers by Weekly Food Expenditures

The low response rate in sample one could have been attributed to many reasons. For example, there were instances, especially in the first sample, where questionnaires were sent to consumers who were deceased or had moved to other provinces. It may also be hypothesized that some of the other reasons for not completing the questionnaire may have included the season of the year that the study was conducted; lack of interest on the part of consumers; and the absence of incentive to complete the questionnaire.

The completed questionnaires were coded, keypunched on IBM cards and analyzed by computers using two programs as outlined by Nie, et al.[1] These programs were One-Way Frequency Distributions and Contingency Tables (Chi-Square Analysis).

## One-Way Frequency Distributions

This program estimated the mean, median, percentages, mode, and the range of all the questions in the questionnaire. This was necessary so that the socio-economic characteristics, consumer purchasing patterns, and attitudes towards meat specials in both samples could be compared.

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[1] Norman H. Nie, et al., Statistical Paper for the Social Sciences (New York: McGraw-Hill Book Company, 1970), pp. 181-218.

Chi-Square Analysis

The determination of the relationship between a number of attributes is an important function of chi-square analysis. This procedure is reliable when certain assumptions[1] are satisfied.

Chi-square analysis was used in this study to determine whether the independent variables were associated with the dependent variables. The independent variables were family size and net yearly family income while the dependent variables were consumer shopping habits or practices and their attitudes towards meat specials. Cross-tabulation of the independent and dependent variables was carried out for consumers who were "heavy" spenders since they represented a larger sample base and generally accounted for consumers who were shopping extensively at the CO-op stores.

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[1] A detailed description of these assumptions or conditions are presented by Robert Ferber, op. cit., p. 263.

# CHAPTER IV

## RESULTS AND DISCUSSION OF CONSUMER STUDY

### Preamble

This chapter attempts to provide information about Co-op consumer shopping practices and consumer attitudes towards meat specials. A thorough knowledge of these consumer characteristics should assist the Co-op retail stores in planning meat purchases and in organizing their meat merchandising strategies.

In comparison to the United States, not many studies on consumer shopping practices and their attitudes towards meat specials have been conducted in Canada. Studies that have been done in Canada include two studies done by McFadyen[1] and Morris[2] at the University of Alberta and the University of Guelph, respectively. Both of these studies examined consumer attitudes towards meat, but failed to reveal any information about their attitudes towards meat

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[1] Sheila C. McFadyen, "Consumer Attitudes Towards Beef" (Unpublished M.Sc. Thesis, University of Alberta, July, 1972), pp. iii-iv.

[2] J.L. Morris, T.F. Funk and H.V. Courtenay, Consumer Attitudes to Meat and Meat Products, Working Paper AE/74/4 (Guelph: School of Agricultural Economics and Extension Education, Ontario Agricultural College, University of Guelph, March, 1974), pp. 28-29.

specials.

## Profile of Consumer Shopping Habits and Practices

### Stores Where Most of the Meat Shopping was Done

The information about where most of the meat shopping was done, shown in Table 1, indicated that a smaller percentage of "average" spending Co-op consumers shopped at the Co-op retail store. A large percentage of "average" spending consumers did most of their meat shopping at Safeway and Woodward Stores.

When the meat shopping frequencies were stratified into three income classes (Table 2), the distributions between the "average" and "heavy" spending consumers were similar. However, a large percentage of "average" spending consumers within all income classes did most of their meat shopping at Safeway and Woodward's.

Perhaps the reason for the discrepancy in attitudes toward meat shopping between the "average" and "heavy" spending consumers was due to the fact that the "average" spending consumers consisted of a larger percentage of low income customers who shopped at many stores in addition to the Co-op. Hence, one might hypothesize that the low income customers were largely interested in prices, and therefore were least likely to be loyal in their patronage of the

TABLE 1

STORES WHERE MOST OF THE MEAT SHOPPING
WAS DONE BY "AVERAGE" AND "HEAVY"
SPENDING CONSUMERS

| Name of the Store | "Average" Spending Consumers | "Heavy" Spending Consumers |
|---|---|---|
| Co-op Store | 164 (57.5%) | 246 (78.1%) |
| Safeway, Woodward | 68 (23.9%) | 10 ( 3.2%) |
| Meat Market | 19 ( 6.7%) | 27 ( 8.6%) |
| Off the Farm | 14 ( 4.9%) | 17 ( 5.4%) |
| Co-op & All Retail Stores | 11 ( 3.9%) | 6 ( 1.9%) |
| Other | 9 ( 3.2%) | 9 ( 2.9%) |

TABLE 2

STORE WHERE MOST OF THE MEAT SHOPPING WAS DONE

| Sample/Store Where Most of the Meat Shopping was Done | Income Group | | |
|---|---|---|---|
| | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| **Sample I ("Average" Spenders)** | | | |
| Co-op | 40 (75.5%) | 77 (52.0%) | 42 (54.5%) |
| Safeway, Woodward's | 9 (17.0%) | 39 (26.4%) | 19 (24.7%) |
| Meat Market | 1 ( 1.9%) | 13 ( 8.8%) | 5 ( 6.5%) |
| Off the Farm | 1 ( 1.9%) | 8 ( 5.4%) | 5 ( 6.5%) |
| Co-op and All Retail Stores | -- -- | 6 ( 4.1%) | 4 ( 5.2%) |
| Other | 2 ( 3.8%) | 5 ( 3.4%) | 2 ( 2.6%) |
| **Sample II ("Heavy" Spenders)** | | | |
| Co-op | 18 (90.0%) | 144 (80.0%) | 74 (74.0%) |
| Safeway, Woodward's | -- -- | 5 ( 2.8%) | 4 ( 4.0%) |
| Meat Market | 1 ( 5.0%) | 16 ( 8.9%) | 9 ( 9.0%) |
| Off the Farm | -- -- | 8 ( 4.4%) | 6 ( 6.0%) |
| Co-op and All Retail Stores | -- -- | 4 ( 2.2%) | 2 ( 2.0%) |
| Other | 1 ( 5.0%) | 3 ( 1.7%) | 5 ( 5.0%) |

Co-op retail store.[1]

In contrast, a high percentage of "heavy" spending consumers within all income classes were loyal to the Co-op retail stores. This may be consistent with a similar study where 83 percent of chain and 72 percent of non-chain customers recommended "their" store as a good place for a new homemaker in the neighbourhood to shop.[2]

Principal Reason for Shopping at the Co-op

The distribution concerning the principal reason why Co-op customers were shopping at the Co-op retail stores (shown in Table 3) illustrated that the majority of consumers, except the low income "average" spending consumers, indicated that being a Co-op member was basically the principal reason. A large percentage of "average" spending consumers, especially among the low income group, indicated other reasons for shopping at the Co-op retail store. These reasons included fear of the "ill effects" of monopoly power, and pride in shopping at a retail store that was "Canadian owned". A smaller percentage of consumers

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[1] Richard L. Kohls and John Britney, Consumer Selection of and Loyalty to Food Stores, Research Bulletin No. 777 (Lafayette, Indiana: Purdue University Agricultural Experiment Station, March, 1964), p. 2.

[2] Robert L. Jack and H. Bruce Bylund, Some Social, Psychological and Economic Characteristics of Chain and Non-Chain Grocery Customers, A.E. and R.S. 44 (University Park: Pennsylvania State University, August, 1973), p. 19.

TABLE 3

PRINCIPLE REASON FOR SHOPPING AT THE CO-OP

| Sample/Principle Reason for Shopping at the Co-op | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Co-op Member | 13 (26.0%) | 75 (53.6%) | 42 (56.0%) |
| Convenience | 2 ( 4.0%) | 5 ( 3.6%) | 6 ( 8.0%) |
| Savings | 2 ( 4.0%) | 12 ( 8.6%) | 7 ( 9.3%) |
| Specials | 1 ( 2.0%) | 2 ( 1.4%) | -- -- |
| > One or All of Above | 7 (14.0%) | 9 ( 6.4%) | 3 ( 4.0%) |
| Other | 25 (50.0%) | 37 (26.4%) | 17 (22.7%) |
| Sample II ("Heavy" Spenders) | | | |
| Co-op Member | 14 (70.0%) | 135 (75.0%) | 67 (66.3%) |
| Convenience | 3 (15.0%) | 16 ( 8.9%) | 11 (10.9%) |
| Savings | 3 (15.0%) | 16 ( 8.9%) | 7 ( 6.9%) |
| Specials | -- -- | 2 ( 1.1%) | -- -- |
| > One or All of Above | -- -- | 4 ( 2.2%) | 8 ( 7.9%) |
| Other | -- -- | 7 ( 3.9%) | 8 ( 7.9%) |

within all income groups indicated that savings and convenience were the major reasons for shopping at the Co-op.

The above reasons for shopping at the Co-op are related to a study conducted in Edmonton in 1964 by the Canadian Grocer magazine staff.[1] According to their analyses, 67 percent of the consumers did their main shopping at Safeway for the following reasons: convenient location (24.7 percent); best variety (12.5 percent); prefer meat at this store (9.9 percent); advertised grocery specials (9.7 percent); lower prices (9.0 percent); get good service (9.0 percent). The study did not examine the impact of income levels on influencing the reasons for shopping at Safeway. A priori reasoning would suggest that as income levels increase, consumers become more interested in shifting from price to convenience and quality as factors determining their store selection. However, this behavioral pattern was not substantiated by the results of this study.

Most Frequent Day of Shopping

Co-op consumers' most frequent shopping days are shown in Table 4. The majority of Co-op consumers did their shopping on Thursday, Friday and Saturday.

The distribution between the "average" and "heavy"

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[1] "Where They Shop and Why," Canadian Grocery, LXXXI (July, 1967), p. 14.

TABLE 4

MOST FREQUENT DAY OF SHOPPING

| Sample/Most Frequent Day of Shopping | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Tuesday | -- | 5 | 3 |
| | -- | ( 3.5%) | ( 4.1%) |
| Wednesday | 3 | 4 | 5 |
| | ( 6.0%) | ( 2.8%) | ( 6.8%) |
| Thursday | 11 | 31 | 15 |
| | (22.0%) | (21.5%) | (20.3%) |
| Friday | 13 | 51 | 22 |
| | (26.0%) | (35.4%) | (29.7%) |
| Saturday | 14 | 39 | 23 |
| | (28.0%) | (27.1%) | (31.1%) |
| Any Day | 9 | 14 | 6 |
| | (18.0%) | ( 9.7%) | ( 8.1%) |
| Sample II ("Heavy" Spenders) | | | |
| Tuesday | 1 | 8 | 2 |
| | ( 5.0%) | ( 4.4%) | ( 2.0%) |
| Wednesday | 1 | 6 | 9 |
| | ( 5.0%) | ( 3.3%) | ( 9.0%) |
| Thursday | 5 | 54 | 27 |
| | (25.0%) | (29.8%) | (27.0%) |
| Friday | 8 | 66 | 29 |
| | (40.0%) | (36.5%) | (29.0%) |
| Saturday | 4 | 44 | 29 |
| | (20.0%) | (24.3%) | (29.0%) |
| Any Day | 1 | 3 | 4 |
| | ( 5.0%) | ( 1.7%) | ( 4.0%) |

spending consumers was not noticeably different, except that there was a larger percentage of low income "heavy" spending consumers who did most of their shopping on Friday. These Co-op consumers may have possessed similar socio-economic characteristics to those exhibited in other studies where chain and non-chain customers do most of their weekly shopping on Friday.[1]

The results shown in Table 4 are as expected because Thursday, Friday, and Saturday are pay period days as well as the days of the week when most retail stores do the balance of their food advertising in weekly newspapers.

Person in the Household Who Does Most of the Shopping

The information regarding who does most of the shopping (shown in Table 5) indicated that in all income classes, the wife accounted for at least 50 percent of the grocery shopping. Similarly, husband and wife combinations were responsible for at least 35 percent of the grocery shopping. It was therefore apparent that the husband's presence in the store was very prominent. An unusual event in this study was the complete absence of children participating in the shopping process.

The trend of shopping practices by Co-op consumers

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[1] Robert L. Jack and H. Bruce Bylund, op. cit., p. 19.

TABLE 5

PERSON IN THE HOUSEHOLD WHO DOES MOST OF THE SHOPPING

| Person in the House-hold Who Does Most of the Shopping / Sample | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Husband | 4<br>( 7.8%) | 13<br>( 8.8%) | 8<br>(10.7%) |
| Wife | 27<br>(52.9%) | 80<br>(54.1%) | 37<br>(49.3%) |
| Both | 20<br>(39.2%) | 51<br>(34.5%) | 28<br>(37.3%) |
| Children | --<br>-- | 3<br>( 2.0%) | --<br>-- |
| Other | --<br>-- | 1<br>( 0.7%) | 2<br>( 2.7%) |
| Sample II ("Heavy" Spenders) | | | |
| Husband | 2<br>(10.0%) | 18<br>(10.0%) | 10<br>( 9.8%) |
| Wife | 10<br>(50.0%) | 96<br>(53.3%) | 52<br>(51.0%) |
| Both | 8<br>(40.0%) | 65<br>(36.1%) | 40<br>(39.2%) |
| Children | --<br>-- | --<br>-- | --<br>-- |
| Other | --<br>-- | 1<br>( 0.6%) | --<br>-- |

was similar to a study conducted by Woods and Jenkins.[1] In their study, they observed that meat purchasing was done by the wife or homemaker in slightly more than 75 percent of the households interviewed. The wife and husband together, or the husband alone, made the meat purchases in most of the other households -- 13 and 9 percent, respectively. Furthermore there were purchases made by other persons in only about 3 percent of the households. Both of these studies therefore reflected the importance of the wife in the decision making with regard to food shopping. Gartner, et al., observed the importance of the wife in family decision making by noting that:

> Within the family there are various decision processes.... One such decision is decision making for the family by the wife alone with the family in mind... a form of subtle interaction. The wife does the actual buying of food; however, her purchases will reflect the tastes and preferences of her family and the health and economic situation of the family.[2]

## Frequency of Shopping at the Co-op Store

The distribution of consumers by the Co-op retail store in which most of their shopping was done is shown

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[1] Betty L. Woods and Martha C. Jenkins, Motivation in Consumer Purchases of Beef, Technical Bulletin 565 (Agricultural Experimental Station, La. St. University, April, 1963), pp. 8-9.

[2] Joseph Gartner, Lee Kolmer and Ethel B. Jones, "Consumer Decision Making," Consumer Marketing Bulletin (Ames: Iowa State University, November, 1960), p. 14.

in Table 6. A large percentage of medium and high income "average" spending consumers were doing most of their grocery shopping at the Argyll Co-op. Within all income classes, a greater percentage of "heavy" spending consumers were doing most of their grocery shopping at the Delton Co-op.

Households Shopping at the Co-op in Relation to Distance from Co-op

The percentage or number of Co-op consumers according to the distance they travelled to their Co-op is shown in Table 7. Generally, the distribution of the distance travelled between "average" and "heavy" spending consumers was similar except that a large percentage of "average" spending consumers within all income classes travelled a distance of five miles to the nearest Co-op store. As well, a large number of "heavy" spending consumers, especially those within the medium and high income classes, were travelling a distance less than one mile to the nearest Co-op store.

From these results, it was logical to conclude that at least 40 percent of Co-op consumers within all income groups were travelling at least three miles to the Co-op store. These results, however, were not consistent with a

TABLE 6

FREQUENCY OF SHOPPING AT THE CO-OP

| Sample/Frequency of Shopping at the Co-op | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Argyl | 19 (36.5%) | 72 (48.6%) | 41 (53.2%) |
| Delton | 16 (30.8%) | 34 (23.0%) | 12 (15.6%) |
| Westgate | 17 (32.7%) | 42 (28.4%) | 24 (31.2%) |
| Sample II ("Heavy" Spenders) | | | |
| Argyl | 7 (35.0%) | 70 (38.9%) | 38 (37.3%) |
| Delton | 10 (50.0%) | 58 (32.2%) | 27 (26.5%) |
| Westgate | 3 (15.0%) | 52 (28.9%) | 37 (36.3%) |

TABLE 7

AVERAGE DISTANCE TRAVELLED IN RELATION TO THE CO-OP

| Sample/Average Distance Travelled in Relation to the Co-op | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| < 1 mile | 7 (14.6%) | 21 (14.8%) | 10 (13.3%) |
| 1 mile | 7 (14.6%) | 17 (12.0%) | 10 (13.3%) |
| 2 miles | 8 (16.7%) | 35 (24.6%) | 12 (16.0%) |
| 3 miles | 10 (20.8%) | 17 (12.0%) | 11 (14.7%) |
| 4 miles | 3 ( 6.2%) | 14 ( 9.9%) | 8 (10.7%) |
| 5 miles | 8 (16.7%) | 13 ( 9.2%) | 16 (21.3%) |
| > 5 miles | 5 (10.4%) | 25 (17.6%) | 8 (10.7%) |
| Sample II ("Heavy" Spenders) | | | |
| < 1 mile | 3 (15.8%) | 43 (24.2%) | 20 (19.6%) |
| 1 mile | 2 (10.5%) | 26 (14.6%) | 18 (17.6%) |
| 2 miles | 4 (21.1%) | 33 (18.5%) | 14 (13.7%) |
| 3 miles | 3 (15.8%) | 25 (14.0%) | 17 (16.7%) |
| 4 miles | 3 (15.8%) | 19 (10.7%) | 9 ( 8.8%) |
| 5 miles | -- -- | 1 ( 0.6%) | -- -- |
| > 5 miles | 4 (21.1%) | 31 (17.4%) | 24 (23.5%) |

similar study conducted by Henning, et al.[1] In their study, 63 percent of low income consumers and 37 percent of high income consumers were located within one-fourth mile or less of the store where they made their meat purchases.

Perhaps the reason why Co-op consumers, irrespective of income levels, exhibited a great degree of mobility can be attributed to the scarcity of Co-op stores in Edmonton or to the consumers' belief in the philosophy or principles of the Co-op movement.

## Socio-Economic Characteristics of Consumers

The percentages of consumers according to net yearly family income, occupational status of the head of the household and family size are shown in Tables 8-10.

A great many "average" spending consumers had a net yearly family income of less than $10,000. However, at least 50 percent of the Co-op consumers had a net yearly family income of between $10,000 and $20,000 (Table 8).

The distribution of occupational status of the head of the household was similar among the "average" and "heavy" spending consumers except that there were a large percent-

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[1] G.F. Henning, M.B. Evans and J.H. Lewis, Retail Meat Marketing in Ohio, Research Bulletin 812 (Wooster, Ohio: Ohio Agriculture Experimental Station, July, 1958), p. 38.

TABLE 8

CLASSIFICATION OF "AVERAGE" AND "HEAVY" SPENDING CONSUMERS BY NET YEARLY FAMILY INCOME

| Net Yearly Family Income | "Average" Spenders | Cum. Freq. | "Heavy" Spenders | Cum. Freq. |
|---|---|---|---|---|
| Under $4,000 | 9 ( 3.2%) | 9 ( 3.2%) | 1 ( 0.3%) | 1 ( 0.3%) |
| $ 4,000 - $ 5,999 | 12 ( 4.3%) | 21 ( 7.5%) | 2 ( 0.7%) | 3 ( 1.0%) |
| $ 6,000 - $ 9,999 | 32 (11.5%) | 53 ( 19.0%) | 17 ( 5.6%) | 20 ( 6.6%) |
| $10,000 - $14,999 | 74 (26.5%) | 127 ( 45.5%) | 70 (23.2%) | 90 ( 29.8%) |
| $15,000 - $19,999 | 75 (26.9%) | 202 ( 72.4%) | 111 (36.6%) | 201 ( 66.4%) |
| $20,000 - $24,999 | 52 (18.6%) | 254 ( 91.0%) | 61 (20.1%) | 262 ( 86.5%) |
| $25,000 and Over | 25 ( 9.0%) | 279 (100.0%) | 41 (13.5%) | 303 (100.0%) |

age of "heavy" spending consumers whose occupational status consisted of construction trades and other related occupations. Also, a large percentage of "average" spending shoppers were not part of the labor force (Table 9).

The distribution of household family size indicated that the "average" spending consumers had a large number of one to two person families (Table 10). Of the "heavy" spending consumers, 39.1 percent had families of greater than five persons. The mean family size of the "heavy" spending consumers was 5.0 persons per family, while that of the "average" spending consumers was 3.1 persons per family.

The reclassification of family size and occupation status according to the three income classes is shown in Tables 11-12. There were a large percentage of high income Co-op consumers whose occupational status consisted of managerial and professional trades. While a large percentage of low income "average" spending consumers were not part of the labor force, a large percentage of "heavy" spending consumers within all income classes had occupations in the construction trades and other related trades (Table 11).

The relationship of family size to "spender" group and income group (shown in Table 12) pointed out that a large percentage of "average" spending consumers within all income classes had one to two person families. In contrast, a large percentage of "heavy" spending consumers within all

TABLE 9

CLASSIFICATION OF "AVERAGE" AND "HEAVY"
SPENDING CONSUMERS BY OCCUPATIONAL STATUS
OF THE HEAD OF THE HOUSEHOLD

| Occupational Status of the Head of the Household | "Average" Spenders | "Heavy" Spenders |
|---|---|---|
| Managerial | 63 (23.1%) | 70 (22.9%) |
| Technological, Social, Cultural[1] | 73 (26.7%) | 63 (20.6%) |
| Clerical[2] | 25 ( 9.2%) | 29 ( 9.5%) |
| Farming | 4 ( 1.5%) | 9 ( 2.9%) |
| Machining[3] | 53 (19.4%) | 94 (30.7%) |
| Non-Labor Force[4] | 35 (12.8%) | 14 ( 4.6%) |
| Other Occupations[5] | 20 ( 7.3%) | 27 ( 8.8%) |

[1] Occupations in natural sciences, engineering and mathematics; in social sciences and related fields; in religion; teaching and related occupations; medicine and health; artistic, literary, recreation and related occupations.

[2] Clerical includes persons who were also in sales and service industries.

[3] Machining, product fabricating, assembling and repairing, and construction trade occupations.

[4] Persons who were not part of the labor force including students and retired customers.

[5] Other occupations, transport equipment operating, material handling, other crafts and equipment operating and occupations not elsewhere classified.

SOURCE: Statistics Canada, Special Bulletin, Families: General Characteristics of Economic Families, Catalogue 93-772 (SF-2) (Ottawa: S.C., November, 1970), p. 17.

TABLE 10

CLASSIFICATION OF "AVERAGE" AND "HEAVY"

SPENDING CUSTOMERS BY FAMILY SIZE

| Size of Family | "Average" Spenders | Cum. Freq. | "Heavy" Spenders | Cum. Freq. |
|---|---|---|---|---|
| < 3 people | 94 (43.3%) | 94 ( 43.3%) | 12 ( 3.8%) | 12 ( 3.8%) |
| 3-5 people | 106 (48.9%) | 200 ( 92.2%) | 178 (57.1%) | 190 ( 60.9%) |
| > 5 people | 17 ( 7.8%) | 217 (100.0%) | 122 (39.1%) | 312 (100.0%) |

TABLE 11

OCCUPATIONAL STATUS OF THE HEAD OF THE HOUSEHOLD
CLASSIFIED ACCORDING TO INCOME GROUP

| Sample/Occupational Status of the Head of the Household | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Managerial | 4 ( 8.7%) | 20 (14.0%) | 38 (49.4%) |
| Technological, Social, Cultural | 3 ( 6.5%) | 49 (34.3%) | 19 (24.7%) |
| Clerical | 9 (19.6%) | 12 ( 8.4%) | 3 ( 3.9%) |
| Farming | 1 ( 2.2%) | 3 ( 2.1%) | -- -- |
| Machining | 4 ( 8.7%) | 41 (28.7%) | 7 ( 9.1%) |
| Non-Labor Force | 20 (43.5%) | 9 ( 6.3%) | 4 ( 5.2%) |
| Other Occupations | 5 (10.9%) | 9 ( 6.3%) | 6 ( 7.8%) |
| Sample II ("Heavy" Spenders) | | | |
| Managerial | 1 ( 5.0%) | 33 (19.0%) | 33 (33.3%) |
| Technological, Social, Cultural | -- -- | 31 (17.8%) | 28 (28.3%) |
| Clerical | -- -- | 20 (11.5%) | 8 ( 8.1%) |
| Farming | 1 ( 5.0%) | 5 ( 2.9%) | 3 ( 3.0%) |
| Machining | 6 (30.0%) | 60 (34.5%) | 25 (25.3%) |
| Non-Labor Force | 6 (30.0%) | 8 ( 4.6%) | -- -- |
| Other Occupations | 6 (30.0%) | 17 ( 9.8%) | 2 ( 2.0%) |

TABLE 12

FAMILY SIZE OF HOUSEHOLD CLASSIFIED ACCORDING TO INCOME GROUP

| Sample/Family Size | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| < 3 people | 26 (61.9%) | 40 (37.4%) | 25 (41.0%) |
| 3-5 people | 14 (33.3%) | 59 (55.1%) | 29 (47.5%) |
| > 5 people | 2 ( 4.8%) | 8 ( 7.5%) | 7 (11.5%) |
| Sample II ("Heavy" Spenders) | | | |
| < 3 people | 3 (15.0%) | 7 ( 4.0%) | 2 ( 2.0%) |
| 3-5 people | 9 (45.0%) | 98 (55.4%) | 62 (60.8%) |
| > 5 people | 8 (40.0%) | 72 (40.7%) | 38 (37.3%) |

income classes had a family size of greater than five persons.

## Consumer Attitudes Towards Meat Specials

### Preamble

Meat specialing is a frequently used non-pricing strategy which is used in the marketplace by many retailers to stimulate sales and profits. In the midst of this pricing strategy, there are many perplexed consumers who are frequently being confronted with many questions such as: "When shall I buy?"; "Shall I wait for bargains or buy at regular prices?"; "How much savings do these specials afford?"; "Can I buy things at 'price specials' that are too expensive at regular prices?"; "Should I use the bargains as a means of increasing my use of customary products?"[1] These are everyday questions that many consumers ask in their routine grocery shopping. This aspect of the study, therefore, attempts to reveal or unravel consumers' general attitudes towards meat specials.

### Extent of Shopping for Meat Specials

The extent to which consumers shop for specials depends on the socio-economic characteristics of their

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[1] Margaret G. Reid, Consumers and the Market (New York: F.S. Crofts & Co., 1942), p. 73.

households. For example, it may be legitimate to postulate that low income consumers with large families would be more responsive to specials than high income consumers with small families. In a Pennsylvania study, it was noted that homemakers who stated they regularly shopped for specials purchased significantly more meat specials than those who stated they rarely or never shopped for specials.[1]

The information about the extent that consumers shop for meat specials (shown in Table 13) demonstrated that a large percentage of low and high income "average" spending consumers were shopping specifically for meat specials. Moreover, at least 50 percent of the Co-op consumers within all income classes were shoppers who had a fixed list of meats but would make changes for meat specials.

Advertisement Readership for Meat Specials Within a Two Week Period

Meat advertisements in weekly newspapers have an important influence on consumers' decisions regarding their weekly meat purchases. However, the decisions made depend on the nature of the meat advertisement and the preferences and socio-economic characteristics of consumers.

According to the results obtained in this study, a

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[1] Harold E. Neigh and Clarence E. Trotter, Consumer Response to Meat Price Specials, Technical Bulletin 762 (Agriculture Experimental Station, Penn. St. University, March, 1970), p. 18.

TABLE 13

EXTENT OF SHOPPING FOR MEAT SPECIALS CLASSIFIED ACCORDING TO INCOME GROUP

| Sample/Extent of Shopping for Meat Specials | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,000 | $20,000 and Over |
| Shop specifically for meat specials | 13 (26.0%) | 43 (29.7%) | 23 (30.7%) |
| A fixed list of meats, but would make changes for meat specials | 26 (52.0%) | 88 (60.7%) | 43 (57.3%) |
| A fixed list of meats and rarely change plans for meat specials | 11 (22.0%) | 14 ( 9.7%) | 9 (12.0%) |
| Sample II ("Heavy" Spenders) | | | |
| Shop specifically for meat specials | 3 (15.8%) | 41 (23.8%) | 14 (14.1%) |
| A fixed list of meats, but would make changes for meat specials | 10 (52.6%) | 95 (55.2%) | 60 (60.6%) |
| A fixed list of meats and rarely change plans for meat specials | 6 (31.6%) | 36 (20.9%) | 25 (25.3%) |

large percentage of consumers, especially those within the medium and high income classes, read meat special advertisements twice within a two week period (Table 14). However, at least 35 percent of the Co-op consumers never read the Co-op food and meat special advertisements within a two week period.

There were no variations between income classes, except that a larger number of low income "average" spending consumers read the Co-op food advertisements twice within a two week period. The reason for the discrepancy in ad readership between the "average" and the "heavy" spending consumers may be explained by the large number of low income "average" spending consumers, which as a result, would tend to have an upward bias in favor of the opinions expressed by low income "average" spending consumers.

On the other hand, the low advertisement readership on the part of low income consumers was consistent with a similar study by Stout and Doehler.[1] In their study, they demonstrated that low advertisement readership was mainly associated with two types of young consumers who had either a low income-high education or a low income-low education.

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[1] Thomas T. Stout and Robert C. Doehler, Some Conduct and Performance Aspects of Food Specials Retailing: A Colombus Market Case Study, Research Bulletin 1082 (Wooster, Ohio: Ohio Agricultural Research and Development Center, December, 1975), p. 13.

TABLE 14

ADVERTISEMENT READERSHIP FOR MEAT SPECIALS

WITHIN A TWO WEEK PERIOD

| Sample/Advertisement Readership for Meat Specials Within a Two Week Period | Income Group | | |
|---|---|---|---|
| | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Sample I ("Average" Spenders) | | | |
| None | 20 (41.7%) | 52 (35.6%) | 30 (39.0%) |
| Once | 3 ( 6.2%) | 21 (14.4%) | 7 ( 9.1%) |
| Twice | 12 (25.0%) | 44 (30.1%) | 25 (32.5%) | |
| Three | 3 ( 6.2%) | 9 ( 6.2%) | 4 ( 5.2%) |
| > Three | 10 (20.8%) | 20 (13.7%) | 11 (14.3%) |
| Sample II ("Heavy" Spenders) | | | |
| None | 12 (63.2%) | 83 (47.7%) | 53 (54.1%) |
| Once | 2 (10.5%) | 19 (10.9%) | 9 ( 9.2%) |
| Twice | 2 (10.5%) | 42 (24.1%) | 23 (23.5%) |
| Three | -- -- | 4 ( 2.3%) | 4 ( 4.1%) |
| > Three | 3 (15.8%) | 26 (14.9%) | 9 ( 9.2%) |

Frequency of Purchasing Meat Specials

The distribution of purchasing meat specials shown in Table 15 indicates that at least 55 percent of the Co-op consumers stated that they "never" or "hardly ever" bought meal specials. Similarly, there were at least 20 percent of the consumers who "always" or "often" purchased meat specials.

While great variations did not exist between income classes within the "average" and "heavy" spending consumers, a large percentage of low income "heavy" spending consumers "hardly ever" purchased meat specials.

Generally, the results obtained were similar to a study where the authors concluded that consumers most responsive to meat specials were those of medium income, with four and five family members, and with children less than 17 years of age.[1] A priori reasoning would suggest that consumers who are in the low and medium income brackets would be more responsive to meat specials than high income consumers. However, the results in this study showed that the medium income consumers were most often responsive to meat specials.

Perceived Quality Differences in Meat Specials and Regular Price Meats

Consumers probably have preconceived notions about

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[1] Harold E. Neigh and Clarence E. Trotter, op. cit., p. 81.

TABLE 15

FREQUENCY OF PURCHASING MEAT SPECIALS

| Sample/Frequency of Purchasing Meat Specials | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Always | 1 ( 2.0%) | 16 (11.5%) | 5 ( 7.0%) |
| Often | 15 (30.6%) | 43 (30.9%) | 24 (33.8%) |
| Hardly Ever | 12 (24.5%) | 27 (19.4%) | 17 (23.9%) |
| Never | 21 (42.9%) | 53 (38.1%) | 25 (35.2%) |
| Sample II ("Heavy" Spenders) | | | |
| Always | 2 (10.5%) | 8 ( 4.8%) | 2 ( 2.2%) |
| Often | 2 (10.5%) | 39 (23.2%) | 27 (30.3%) |
| Hardly Ever | 8 (42.1%) | 41 (24.4%) | 19 (21.3%) |
| Never | 7 (36.8%) | 80 (47.6%) | 41 (46.1%) |

meat specials. Some consumers may not purchase meat specials because they are suspicious that the quality of meat specials may be different from the quality of regular price meats. According to Woods and Jenkins, consumers are motivated to purchase meat according to several criteria such as color, appearance, nutritive value, etc.[1] As a result, consumers who know what their specific meat quality criteria are should be able to appraise very distinctly the quality differences between meat specials and regular price meats.

At least 55 percent of the Co-op consumers were of the opinion that the qualities of regular price meats were "hardly ever" or "never" comparable to meat specials. However, a large number of low income "heavy" spending consumers indicated that the qualities of regular price meats were "always" comparable to that of meat specials.

The results shown in Table 16 may be related to an earlier study where homemakers who thought that the quality of meat sold at special price was "usually" or "nearly always" the same as meat sold at regular prices purchased more specials than homemakers who thought the quality of specials was "sometimes" or "hardly ever" equal to regular price meats.[2]

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[1] Betty L. Woods and Martha C. Jenkins, op. cit., p. 21.

[2] Harold E. Neigh and Clarence E. Trotter, op. cit., p. 18.

TABLE 16

PERCEIVED QUALITY DIFFERENCES IN MEAT SPECIALS AND REGULAR PRICE MEATS

| Sample/ Perceived Quality Differences Between Meat Specials and Regular Price Meats | Income Group | | |
|---|---|---|---|
| Sample I ("Average" Spenders) | Under $10,000 | $10,001 to $19,999 | $20,000 and Over |
| Hardly Ever | 17 (34.0%) | 59 (43.4%) | 35 (50.7%) |
| Never | 23 (46.0%) | 57 (41.9%) | 25 (36.2%) |
| Always | 7 (14.0%) | 14 (10.3%) | 8 (11.6%) |
| Often | 3 ( 6.0%) | 6 ( 4.4%) | 1 ( 1.4%) |
| Sample II ("Heavy" Spenders) | | | |
| Hardly Ever | 9 (36.8%) | 68 (40.7%) | 32 (33.3%) |
| Never | 4 (21.1%) | 70 (41.9%) | 49 (51.0%) |
| Always | 8 (42.1%) | 22 (13.2%) | 6 ( 6.2%) |
| Often | -- -- | 7 ( 4.2%) | 9 ( 9.4%) |

It may be postulated that the reason for the divergence in opinion between the "average" and "heavy" spending consumers would be attributed to the relatively large amount of professional or career oriented customers among the "average" spenders. The assumption is that professional consumers or shoppers would have a higher level of education and therefore should be more discriminating and conscious of the quality differences between regular price meats and special price meats.

## Questionnaire Comments

In this study the number of consumers who responded to the question regarding changes they would like to make in the meat department differed noticeably in both samples. Within the "average" spenders, 13.7 percent of the total consumers recommended changes in the meat department, while within the "heavy" spenders, 33.1 percent of the total consumers suggested that many changes were necessary in the Co-op meat department. As a result of this large discrepancy between both spenders, most of the meat department criticisms in this study will pertain to the comments that were made by the "heavy" spending consumers.

The comments varied considerably among the "heavy" spending consumers. The most frequent comment made by consumers (31.4 percent) was that the Co-op meat prices should be more competitive with meat prices in other retail

stores. Another criticism, which was suggested by 29.5 percent of the consumers, was that the Co-op meat department should have a larger variety of meats available. With respect to this latter comment, some of the consumers stated that they would prefer to have a greater variety of cuts, especially in beef and pork, and would prefer to see other meats available at the Co-op retail store such as seafood, lamb, fish, and fresh liver.

Of the consumers, 11.4 percent suggested that the quality of meats on display at the Co-op retail stores should be improved. Some of the quality characteristics which they indicated could be improved were color, tenderness, leanness, flavor, and freshness. About 5.7 percent of the respondents commented that the meat department at the Co-op retail stores should have a better display space especially for meat specials. Some of the consumers (3.8 percent) pointed out that many of the advertised meat specials were not at the meat counters when they did their weekly grocery shopping at the Co-op retail store. That meat packages should be smaller in order to cater to smaller families was also suggested by 5.7 percent of the consumers. Other changes which were shown to be necessary in the meat department at the Co-op retail stores included the following:

1. More courteous service should be exhibited by meat management personnel.
2. The meat department at the Co-op retail store

should avoid manipulation of meat cuts to boost meat sales and profits.

3. Larger portions and cuts of meats such as roasts and sides should always be available.
4. Meat cutting procedures should be improved so as to minimize the amount of fat or trim.
5. Meat should be properly packaged so that shoppers can view the quality of meat very easily.
6. Better price information should be transmitted via the newspapers and the radio.

## Interrelationship Between Selected Pairs of Variables

Since the "heavy" spender sample had a larger sample base and consisted of consumers who were shopping extensively at the Co-op retail stores, the procedure of chi-square analysis was used to determine whether there was any independence between the independent variables -- family size, net yearly family income -- and the dependent variables -- consumer shopping practices and their attitudes towards meat specials. This relationship of independence was estimated by the percentage of reliable contingency tables in the chi-square analysis for independence shown in Tables 17-18.

Net yearly family income was collapsed into two distinct categories so as to minimize low cell frequencies of

TABLE 17

CHI-SQUARE ANALYSES OF EFFECT OF FAMILY SIZE AND INCOME ON CONSUMER SHOPPING PATTERNS

| Consumer Shopping Patterns | Income | | Family Size | |
|---|---|---|---|---|
| | Degrees of Freedom | Chi-Square Value | Degrees of Freedom | Chi-Square Value |
| Store where most of the meat shopping was done | 2 | 2.99707 | 16 | 20.70836 |
| Principle reason for shopping at the Co-op | 2 | .92123 | 16 | 23.91310 |
| Most frequent day of shopping | 3 | 3.47011 | 24 | 19.03395 |
| Frequency of shopping at the Co-op store | 2 | 2.95210 | 16 | 16.92291 |
| Households shopping at Co-op in relation to distance from Co-op | 5 | 3.49862 | 40 | 31.9595 |
| Person in the household who does most of the shopping | 3 | .6984 | 24 | 29.5708 |

TABLE 18

CHI-SQUARE ANALYSES OF EFFECT OF FAMILY SIZE AND INCOME ON CONSUMER ATTITUDES TOWARDS MEAT SPECIALS

| Consumer Attitudes Towards Meat Specials | Income | | Family Size | |
|---|---|---|---|---|
| | Degrees of Freedom | Chi-Square Value | Degrees of Freedom | Chi-Square Value |
| Extent of shopping for meat specials | 2 | 3.2436 | 16 | 13.2564 |
| Advertisement readership for meat specials within a two week period | 1 | .4349 | 8 | 10.2567 |
| Frequency of purchasing meat specials | 2 | 1.1665 | 16 | 16.7803 |
| Perceived quality differences in meat specials and regular price meats | 2 | 3.2800 | 16 | 20.2210 |

respondents that were in the low income classes. Since the average net yearly family income of the "heavy" spending consumers was approximately $20,000, it was convenient to divide the sample into two separate strata such as less than $20,000, and $20,000 and over.

In terms of information questions, some collapsing of the data was performed. For example, retail outlets other than Co-op stores where consumers did their meat shopping was collapsed into one category. In circumstances where there were low cell frequencies for other questions in the questionnaire, some collapsing of the data was also necessary.

## Effect of Family Size and Income on Consumer Shopping Patterns

All of the questions pertaining to consumer shopping patterns or practices were not significantly related to either family size or income at the .05 or .01 percent level of significance (Table 17). The implication of the analyses would therefore mean that consumer shopping patterns or practices were independent of either income or family size.

## Effect of Family Size and Income on Consumer Attitudes Toward Meat Specials

The analyses of the results in Table 18 indicated that all the questions pertaining to consumer attitudes toward meat specials were not significantly related to

either family size or income at the .05 or .01 percent level of significance. Hence, it was possible to conclude that consumer attitudes towards meat specials are independent of socio-economic characteristics such as net yearly family income and family size.

# CHAPTER V

## RETAIL MERCHANDISING PRACTICES

To gain a clearer understanding of market performance requires an adequate knowledge of conduct patterns including price specials and their particular relationship to regular prices. Price special strategy varies among items, retail stores, and from time to time within the market.

Irrespective of the nature of competition within a given market, a number of questions remain unanswered regarding the "workings" of meat price specialing. What is the frequency and degree of the price reduction of meat price specials? To what extent is the frequency and price reduction of meat price specials related to the months of the year? This portion of the study attempted to find answers to questions such as these.

### Sampling and Sources of Data

Three retail stores were chosen as constituents of the supermarket sample. These stores were Co-op supermarkets of varying sizes located in different socio-economic regions within the metropolitan area of Edmonton. They are shown in Figure 2. The stores were relatively modern and

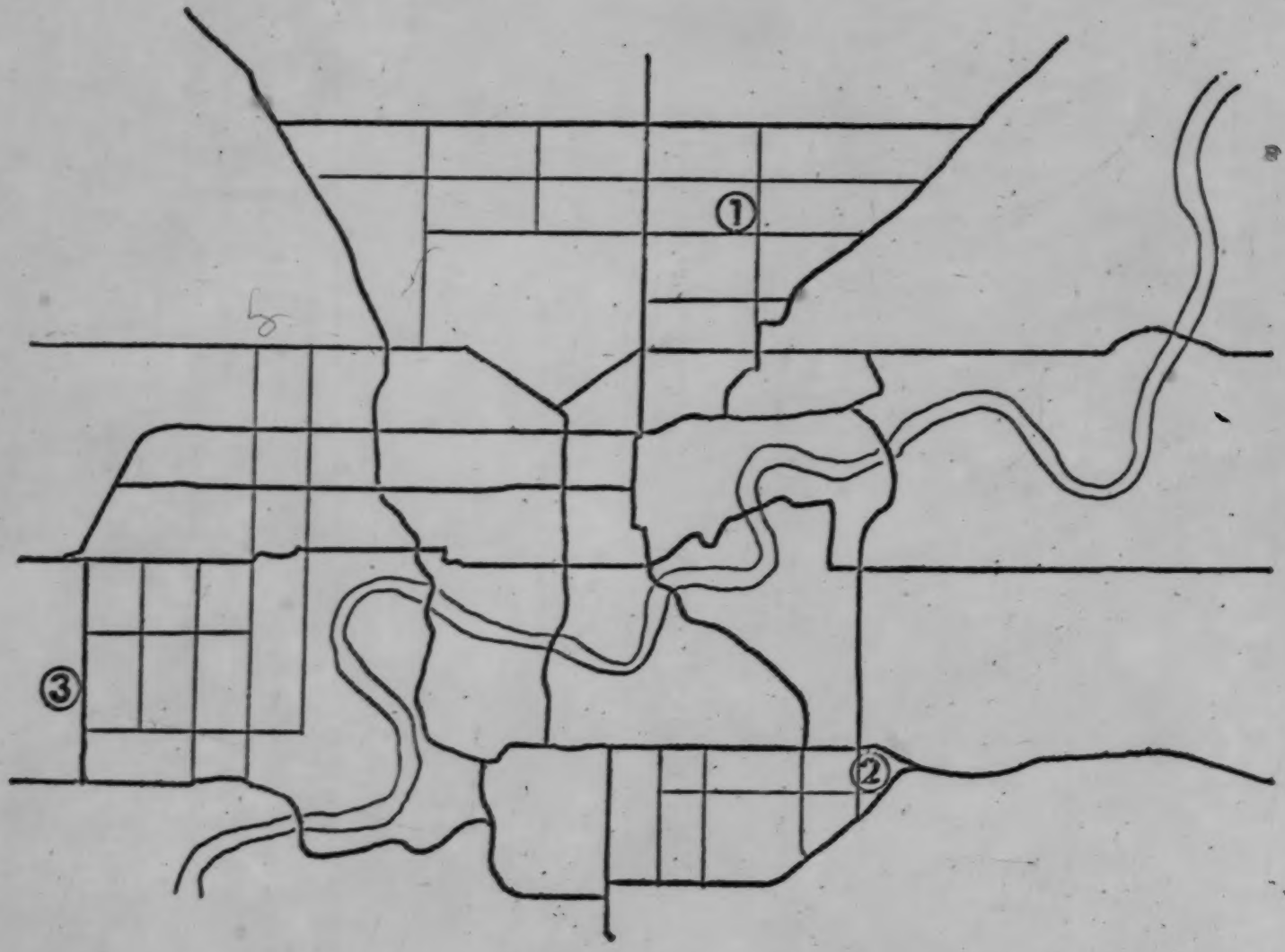


Figure 2: Location of Stores Included in the Study

were equipped with self-service facilities. Unlike other retail stores, these stores were consumer co-operatives which were affiliated to a common wholesale supplier, Federated Co-operatives Ltd. The role of the wholesale supplier is to purchase most of the meat items and to suggest the price lists and advertising format that should be pursued by these stores.

The meat items in this study include four pork items, five poultry items, eight beef items, five brands of weiners, and seven brands of bacon. The prices of these meats were monitored by the author on each Wednesday or Thursday for the months of June through August, 1976. Advertised special prices of these meats were also obtained from the Wednesday newspaper for the same time period as in-store prices were collected.

## Analytical Limitations

A study of this nature warrants an extended period of time so that the seasonal effect of specials frequency and the depth of price reduction of price specials can be evaluated. Moreover, if the regular and special prices of meats within chain stores were monitored, a greater amount of price information could have been isolated in terms of the types of pricing practices existing in the marketplace. For example, the use of loss leader practices to attract customers into the store could have been more easily

detected in such an analysis. As well, the element of human error in monitoring prices in this survey cannot be overlooked in appraising the results of this analysis.

## Frequency and Degree of Price Reduction of Meat Specials

### Frequency and Degree of Price Reduction of Beef Price Specials

The beef cuts considered in the study were categorized into three different price cuts according to a classification adopted by the Food Prices Review Board[1] (Table 19). The medium price cuts were on special for a greater number of weeks during the months of June and July than either the high or low price cuts. During the month of August, the low price cuts were on special for a large percentage of the weeks.

The depth of the price reduction on beef specials was also different between the three kinds of cuts. In terms of cents per pound, the high price cuts, excluding sirloin steak, generally had a greater price discount during the months of June and July than either the medium or low price cuts. However, the percentage price reduction on the low price cuts, excluding ground beef, was greater than for either the high or medium price cuts.

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[1] Food Prices Review Board, Beef Pricing I (Ottawa: Food Prices Review Board, June, 1974), p. 5.

TABLE 19

RETAIL BEEF PRICE SPECIALS:[1] INDEXES OF FREQUENCY AND PRICE REDUCTION, JUNE, JULY AND AUGUST BY CUTS

| Cut | Frequency Index[2] | | | Price Reduction Index[3] | | | Price Reduction Index | | |
|---|---|---|---|---|---|---|---|---|---|
| | June % | July % | August % | June ¢ | July ¢ | August ¢ | June % | July % | August % |
| **High Priced Cuts** | | | | | | | | | |
| Club Steak | 50 | 40 | -- | .60 | .60 | -- | 24.09 | 24.09 | -- |
| T-Bone Steak | 50 | 40 | -- | .70 | .57 | -- | 27.02 | 23.17 | -- |
| Sirloin Steak | 50 | 40 | 25 | .34 | .48 | .58 | 16.26 | 22.11 | 25.55 |
| **Medium Priced Cuts** | | | | | | | | | |
| Rump Roast | 75 | 60 | 25 | .43 | .46 | .49 | 27.92 | 30.87 | 31.81 |
| Round Steak | 75 | 60 | 25 | .34 | .49 | .61 | 23.28 | 31.61 | 35.88 |
| **Low Priced Cuts** | | | | | | | | | |
| Chuck Blade Steak | 50 | 40 | 75 | .44 | .31 | .48 | 42.71 | 35.63 | 47.05 |
| Cross Rib Roast | 25 | 40 | 75 | .59 | .57 | .70 | 37.34 | 37.01 | 42.16 |
| Ground Beef (L 30/0 Fat) | 50 | 60 | 50 | .03 | .02 | .01 | 5.17 | 3.38 | 1.92 |

[1] The three types of cuts were advertised specials in the weekly newspapers. However, there were instances during the survey when these cuts were advertised as in-store specials for a short period of time. The rationale of in-store specials, according to what the meat managers indicated, was to balance out the meat sales of these cuts, particularly when there was a "backlog" in the meat room.

[2] The total number of store weeks that the cut was on special divided by the total number of store weeks in each month.

[3] This index was computed by taking the difference between the weighted average regular prices and the weighted average special prices for each month.

[4] The computation of the Frequency and Price Reduction Index in Table 19 applies to Tables 20, 21, 22 and 23. The usefulness of these indexes would have a greater potential if the study had been extended for a twelve month period.

## Frequency and Degree of Price Reduction of Pork Price Specials

The description here pertains to four pork cuts which were advertised very often in the weekly Co-op food advertisements during the survey (Table 20). Rib pork chops were on special for a greater number of weeks in the month of August than either in the months of June or July. Moreover, the percentage of weeks that rib pork chops were on special in the month of August was larger than that for pork shoulder steak, pork spare ribs, and pork boston butt roast. An opposite trend was observed for pork shoulder stead, which was on special for more weeks in the month of June than in the months of July or August. Pork shoulder steak was also on special for a larger number of weeks in the month of June than rib pork chops and pork boston butt roast.

In terms of cents per pound and percentages, pork specials had greater price reductions in the month of June than in the months of July or August.

## Frequency and Degree of Price Reduction of Poultry Price Specials

In any retail organization, a large percentage of poultry sales occurs primarily through the sale of fresh poultry meats as opposed to frozen poultry meats. In this study, most of the poultry specials were frozen chicken items (Table 21).

Whole chicken fryers were on special for a greater

TABLE 20

RETAIL PORK PRICE SPECIALS:[1] INDEXES OF FREQUENCY AND PRICE REDUCTION, JUNE, JULY AND AUGUST, BY CUTS

| Cut | Frequency Index | | | Price Reduction Index | | | Price Reduction Index | | |
|---|---|---|---|---|---|---|---|---|---|
| | June % | July % | August % | June ¢ | July ¢ | August ¢ | June % | July % | August % |
| Rib Pork Chops | 25 | 20 | 50 | .40 | .23 | .20 | 22.34 | 14.19 | 11.83 |
| Pork Shoulder Steak | 50 | 20 | 25 | .25 | .15 | .17 | 17.98 | 11.19 | 13.49 |
| Pork Spare Ribs | -- | 20 | 25 | -- | .19 | .23 | -- | 10.67 | 13.37 |
| Pork Boston Butt Roast | 25 | 20 | 25 | .50 | .21 | .14 | 31.44 | 15 | 10.52 |

[1] In this analysis, the four cuts of pork specials pertains to advertised specials as opposed to in-store specials. Surprisingly, the degree of in-store pork specials was somewhat less than that of beef. Probably this was due to the fact that the majority of pork cuts that were on display at the meat counter were mainly derived from primals as opposed to carcasses.

TABLE 21

RETAIL POULTRY PRICE SPECIALS: INDEX OF FREQUENCY AND PRICE REDUCTION, JUNE, JULY AND AUGUST, BY CUTS

| Parts | Frequency Index | | | Price Reduction Index | | | Price Reduction Index | | |
|---|---|---|---|---|---|---|---|---|---|
| | June % | July % | August % | June ¢ | July ¢ | August ¢ | June % | July % | August % |
| Frozen Whole Fryers | 50 | 20 | 25 | .20 | .25 | .27 | 20.20 | 24.03 | 25.47 |
| Frozen Chicken Thighs | 25 | -- | 50 | .20 | -- | .15 | 13.42 | -- | 10.41 |
| Frozen Chicken Drums | 25 | -- | 50 | .17 | -- | .20 | 11.6 | -- | 13.42 |
| Frozen Chicken Breasts | 25 | -- | 50 | .10 | -- | .15 | 7.19 | -- | 10.41 |
| Frozen Chicken Legs | 25 | -- | 50 | .15 | -- | .13 | 10.56 | -- | 9.15 |

number of weeks in the month of June than in the months of July or August. They were also on special for a greater number of weeks in June than any of the other chicken parts. Chicken thighs, breasts, drums, and legs were on special for a greater number of weeks in the month of August than in the months of June or July. They were also on special for a greater number of weeks in the month of August than whole chicken fryers.

With respect to the depth of the price reduction on chicken specials, whole chicken fryers, both in terms of cents per pound and percentages, had larger price discounts than chicken thighs, drums, breasts or legs. The depth of the price reduction on chicken thigh and leg specials decreased between June and August.

Frequency and Degree of Price Reduction of Wiener Price Specials

Generally, the national brands of wieners were on special during the months of June and August (Table 22). The private brand (Country Morning) was the only brand of wiener which was on special in every month of the survey.

The depth of the price discounts among the private and national brands were generally similar, except that Country Morning wieners had smaller price reductions during the months of June, July and August.

In contrast to brand vacuum packed wieners, bulk wieners were on special for a greater number of weeks,

TABLE 22

RETAIL WIENER PRICE SPECIALS: INDEXES OF FREQUENCY AND PRICE REDUCTIONS, JUNE, JULY AND AUGUST, BY BRAND NAMES

| Brands | Frequency Index | | | Price Reduction Index | | | Price Reduction Index | | |
|---|---|---|---|---|---|---|---|---|---|
| | June % | July % | August % | June ¢ | July ¢ | August ¢ | June % | July % | August % |
| Swift Prem. (Reg.) | 25 | -- | 25 | .14 | -- | .17 | 15.05 | -- | 17.70 |
| Swift Prem. (Beef) | 25 | -- | -- | .19 | -- | -- | 19.38 | -- | -- |
| Maple Leaf (Reg.) | -- | -- | 25 | -- | -- | .16 | -- | -- | 16.84 |
| Maple Leaf (Beef) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Gainers (Reg.) | -- | -- | 25 | -- | -- | .16 | -- | -- | 16.84 |
| Gainers (Beef) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Country Morn. (Reg.) | 25 | 20 | 25 | .14 | .14 | .14 | 15.05 | 15.05 | 15.05 |
| Country Morn. (Beef) | 25 | 20 | 25 | .17 | .16 | .18 | 17.70 | 16.84 | 18.55 |
| Burns (Reg.) | 25 | -- | -- | .16 | -- | -- | 16.84 | -- | -- |
| Burns (Beef) | 25 | -- | -- | .13 | -- | -- | 14.13 | -- | -- |
| Bulk | 25 | 40 | 50 | .04 | .04 | .08 | 5.06 | 5.0 | 9.63 |

especially in the months of July and August. The depth of the price reduction on bulk wiener specials was relatively smaller than that of the private or national brand wiener specials though it increased between the months of July and August.

Frequency and Degree of Price Reduction of Bacon Price Specials

The national and private brands of bacon, with the exception of Burns, were on special for a fewer number of weeks in the month of July (Table 23). The private brand of bacon (Country Morning) was on special for a larger number of weeks in June than the other national brands of bacon. It was also on special for a greater number of weeks in June than in July or August.

The depth of the price discounts between the national and private brands of bacon specials were similar, except that Country Morning and Hickory House brands of bacon specials had smaller price reductions in the month of July.

TABLE 23

RETAIL BACON PRICE SPECIALS: INDEXES OF FREQUENCY AND PRICE REDUCTIONS, JUNE, JULY AND AUGUST, BY BRAND NAMES

| Brands | Frequency Index | | | Price Reduction Index | | | Price Reduction Index | | |
|---|---|---|---|---|---|---|---|---|---|
| | June % | July % | August % | June ¢ | July ¢ | August ¢ | June % | July % | August % |
| Country Morn. | 50 | 20 | -- | .30 | .14 | -- | 15.07 | 7.65 | -- |
| Gainers | 25 | 20 | -- | .35 | .35 | -- | 17.15 | 17.15 | -- |
| Hickory House | 25 | 20 | -- | .34 | .18 | -- | 16.74 | 9.62 | -- |
| Burns | -- | 40 | 25 | -- | .35 | .27 | -- | 17.15 | 13.10 |
| Maple Leaf | -- | 20 | 25 | -- | .35 | .27 | -- | 17.15 | 13.10 |
| Lazy Maple | -- | 20 | -- | -- | .35 | -- | -- | 17.15 | -- |
| Swift Prem. | -- | 20 | -- | -- | .40 | -- | -- | 19.10 | -- |

# CHAPTER VI

# SUMMARY, CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS

## Summary

This research project was a case study which attempted to appraise or evaluate Co-op consumer attitudes and Co-op retail meat merchandising practices.

A detailed questionnaire was mailed out to Co-op consumers by means of two sampling procedures which were as follows: (1) arbitrary unrestricted sampling and (2) stratified random sampling. The consumers from the first sampling procedure were classified as "average" spenders while those from the second sampling procedure were referred to as "heavy" spenders. Meat prices including special prices were obtained over a three month period from the 1st of June to the 31st of August, 1976.

The nature of the questions selected for investigation were categorized into information, fact and opinion questions. The following were some of the hypothetical questions which were examined: Were Co-op consumers doing most of their meat shopping at the Co-op retail stores? Which of the Co-op stores were consumers patronizing most frequently? What was the average distance that consumers

were travelling in relation to the Co-op store? Was the wife the person in the household who was doing the grocery shopping? Was Thursday, Friday or Saturday the most popular day of the week for consumers to do their weekly shopping? To what extent did consumers shop for meat specials? To what degree did consumers who read food advertisements for meat specials purchase those specials? Were the qualities of meat special comparable to those of regular price meats?

Other questions selected for investigation included the occupational status of the head of the household, family size, and the distribution of net yearly family income among consumers.

The retail practices that were examined included conduct patterns such as price specials and their particular relationship to regular prices. Seventeen fresh meat items and seven brands of processed meats were selected in investigating the frequency and degree of price reduction of price specials.

## Conclusions

From this study it may be concluded that:

1. The "heavy" spending consumers were doing most of their meat shopping at the Co-op retail stores. However, at least 23 percent of the "average" spending consumers were doing most of

their meat shopping at Safeway and Woodward's.

2. Being a Co-op member was the principal reason why most consumers were shopping at the Co-op retail stores. There were also a smaller percentage of consumers within all income classes who indicated that savings and convenience were the major reasons for shopping at the Co-op.
3. The level of net yearly family income was not an important variable influencing consumers to shift from price to convenience and quality as factors determining their store selection.
4. A large percentage (40 percent) of low income "heavy" spending consumers were doing most of their grocery shopping on Friday.
5. The husband and wife combination accounted for at least 35 percent of the weekly grocery shopping. The husband, as a member of the household, was also involved quite extensively in the weekly grocery shopping.
6. At least 35 percent of the Co-op consumers did their weekly grocery shopping at the Argyll Co-op store.
7. Irrespective of the size of net yearly family income, about 40 percent of the Co-op consumers were travelling at least three miles to the Co-op store to do their weekly grocery shopping.
8. The occupational status of the head of the house-

hold, among the majority of "heavy" spending consumers, was mainly construction trades and other related occupations. Also, a large percentage of "average" spending consumers were not part of the labor force.

9. About 43.3 percent of the "average" spending consumers had one to two person families; 39.1 percent of the "heavy" spending consumers had more than five persons per family.
10. The "heavy" spending consumers had a smaller percentage of consumers (6.6 percent) who had a net yearly family income of less than $10,000.
11. The majority of Co-op consumers were shoppers who had a fixed list of meats but would make changes for meat specials.
12. Generally, a large percentage of low income Co-op consumers never read the Co-op food advertisements for meat specials within a two week period.
13. At least 55 percent of Co-op consumers "never" or "hardly ever" bought meat specials.
14. A large percentage of the Co-op consumers were of the opinion that the quality of meat specials were "hardly ever" or "never" comparable to that of regular price meat.
15. Generally, beef specials were specialed for a greater number of weeks than other meat specials. Beef specials, except ground beef, generally had

larger price discounts than the other fresh meat and processed meat specials.

16. The two important changes that Co-op consumers felt were necessary in the meat department of the Co-op stores included: (a) Co-op meat prices should be more competitive with meat prices in other stores, and (b) the Co-op meat department should have a larger variety of meats available to their customers.

## Implications

Knowledge of the interrelationships between consumer shopping practices, attitudes, and retail merchandising strategies should benefit the Co-op retail stores as well as stores in similar geographic areas of the market. In a narrower sense, the conclusions from this study should enable the meat managers to plan their meat merchandising strategies according to the needs and tastes of Co-op consumers. From a broader perspective, the conclusions from this study should be of some assistance to producers, packing plants and wholesale agencies since the amount of meat sold at special prices accounts for a large percentage of the total tonnage of meat sold by retail institutions.

## Recommendations

Since the results of this study indicated that the behavior of Co-op consumers was different in many respects, the following recommendations are suggested in this regard.

1. Meat specialing should focus on the fact that "heavy" spending consumers are shoppers who have a large number of persons per family. Hence the food advertisements in the weekly newspapers should include meat specials consisting of larger packages of cuts of meat in order to satisfy the needs or preferences of those customers.
2. Rotating the kinds of meat specials every week, so as to provide consumers with some variety during the course of their weekly grocery shopping, should be emphasized.
3. Meat specials should cater to Co-op consumers of different income levels. For example, the Co-op weekly food advertisement should have a mixture of high price, medium price, and low price cuts of meat on special every week.
4. Meat specials should be available in quantity and should be priced at competitive prices in relation to the meat specials in other stores.
5. Consumer education programs should be undertaken by the Co-op stores. These programs should attempt to satisfy or accomplish the following

objectives: (a) to inform consumers about meat and its quality characteristics by means of the media and trained home economists; (b) to provide methods or ways in which different kinds or cuts of meat should be prepared.

6. Meat cutting procedures should be standardized in the Co-op stores so that customers can purchase meat of comparable quality.
7. Meats should be priced in such a manner that there is a relationship between shelf prices and special prices. This is necessary because it would enable Co-op consumers to judge the general price behavior of the Co-op stores by their advertised prices.
8. Since many husbands and wives were doing an extensive amount of the weekly grocery shopping together at the Co-op stores, perhaps, the general meat manager should plan his weekly meat specials and display space to cater to the needs of these shoppers.

## Recommendations for Future Research

Although this study attempted to shed some light on a few areas of food retailing, it is apparent that in order to understand thoroughly the "workings" of the food industry, certain other areas of research will have to be analyzed.

The following are a few of the research areas which would be of some economical benefit to the food industry.

1. Producer organizations such as the Alberta Cattle Commission or the Alberta Hog Marketing Board should attempt to investigate the economic impact of beef specials or pork specials in the metropolitan regions of Edmonton or Calgary.
2. The producer organizations in the Province of Alberta should try to analyze the nature of consumer response to meat specials and display space.
3. Retail organizations in the Province of Alberta should attempt to enquire into or investigate the impact of beef, pork, and poultry specials on total grocery sales. Other questions in this regard should focus on the interrelationship between meat specials and net profit of meat.

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# APPENDIX

## CONSUMER QUESTIONNAIRE

# CONSUMER QUESTIONNAIRE

1. How long have you been a member of the Edmonton Co-op? Please circle one of the following:

   0; less than 1 year; 1 year; 2 years; 3 years, 4 years; 5 years; over 5 years.

2. Is most of your meat shopping done at the Co-op?

   Yes _____ No _____

   If not where _____

3. What is the principal reason why you shop at the Co-op? Please check one of the following:

   Co-op Member _____ Convenience _____
   Savings _____ Specials _____
   Other (Specify) _____

4. Within the last two weeks, how many times did you shop at the Co-op? Please circle one of the following:

   0; 1; 2; 3; or over 3.

5. On what day of the week is most of your shopping done at the Co-op? Please check one of the following:

   _____ Tuesday _____ Friday
   _____ Wednesday _____ Saturday
   _____ Thursday

6. What is the net yearly family income, combining both husband and wife's income? Please check the category you are in:

   ____ Under 4,000 ____ 15,000-19,999
   ____ 4,000- 5,999 ____ 20,000-24,999
   ____ 6,000- 9,999 ____ More than 25,000
   ____ 10,000-14,999

7. How many people, including yourself, of each group are in your household? Total membership ____ (No.).

| Age | Number | Age | Number | Age | Number |
|---|---|---|---|---|---|
| Under 6 | ____ | 19-24 | ____ | 45-54 | ____ |
| 6-14 | ____ | 25-34 | ____ | 55-64 | ____ |
| 15-18 | ____ | 35-44 | ____ | 65 and over | |

8. In which Co-op centre is most of your shopping done? Please check one of the following:

Argyll _____ Delton _____ Westgate _____

9. About how many miles do you live from the Co-op that you shop at the most? Please circle one of the following:

Less than 1; 1; 2; 3; 4; over 5; or out of Edmonton.

10. Who does most of the shopping in your household? Please check one of the following:

_____ Husband
_____ Wife
_____ Both
_____ Children

11. What is the occupation of the head of your household? Please check one of the following:

_____ Managerial
_____ Technological
_____ Clerical
_____ Farming
_____ Machining
_____ Other (Specify)

12. Please check the appropriate category below in which the meal planner falls:

| Age of Meal Planner | | Education of Meal Planner | |
|---|---|---|---|
| Under 15 | _____ | Less than Grade 5 | _____ |
| 15-18 | _____ | Grades 5-8 | _____ |
| 19-24 | _____ | Grades 9-11 | _____ |
| 25-34 | _____ | Grades 12-13 | _____ |
| 35-44 | _____ | Some University | _____ |
| 45-54 | _____ | University Degree | _____ |
| 55-64 | _____ | | |
| 65 or Over | _____ | | |

13. Within the past two weeks, how many times did you read the Journal for meat specials? Please circle one of the following:

    0; 1; 2; 3; over 3.

14. After reading the Edmonton Journal for meat specials during the last two weeks, did you go and shop for those meat specials? Please check one of the following below:

    _____ Always
    _____ Hardly Ever
    _____ Often
    _____ Never

15. A. Of your total meat purchases in the last two weeks, what percentage was:

    ____ Veal
    ____ Fish
    ____ Poultry
    ____ Processed Meats (wieners, ham, bacon)
    _____ Pork
    _____ Beef
    _____ Lamb

    B. Please check below your purchase of meat specials, according to your preference of each:

| Meats | No Prefer. | Slight Prefer. | Mod. Preferred | Highly Preferred |
|---|---|---|---|---|
| Veal | ____ | ____ | ____ | ____ |
| Pork | ____ | ____ | ____ | ____ |
| Poultry | ____ | ____ | ____ | ____ |
| Processed Meats | ____ | ____ | ____ | ____ |
| Lamb | ____ | ____ | ____ | ____ |
| Fish | ____ | ____ | ____ | ____ |
| Beef | ____ | ____ | ____ | ____ |

16. Into which category would you fall? Please check one of the following:

    a) _____ You go into the store and shop for meat specials.

    b) _____ You have a fixed list of meats, but would make changes for meat specials.

    c) _____ You have a fixed list of meats, and rarely change your plans for meat specials.

17. Please check below the qualities of meat specials according to the degree of importance you have for it.

| Qualities | Not Important | Slight Importance | Moderate Importance | Quite Important |
|---|---|---|---|---|
| Freshness | ____ | ____ | ____ | ____ |
| Color | ____ | ____ | ____ | ____ |
| Leaness | ____ | ____ | ____ | ____ |
| Savings | ____ | ____ | ____ | ____ |

18. When you purchase meat, do you purchase comparable qualities when shopping for specials and regular price meats? Please check one of the following:

_____ Always
_____ Hardly Ever
_____ Often
_____ Never

19. a) Please estimate in dollars your weekly purchase of meat: $ _____

b) Please estimate in dollars your weekly purchase of food: $ _____

20. General: What changes would you like to see in the Meat Department of your Co-op?

(PLEASE USE SEPARATE SHEET OF PAPER)